

MOORE STEPHENS

Jersey Ship Registry

April 2015

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Phase 1 Report

Jersey Ship Registry: The Business Case for Expansion of the Jersey Register of British Ships

Phase One: The Model Introduction

Jersey, officially the Bailiwick of Jersey but referred to as the States of Jersey, is a British Crown Dependency located some 12 miles from the French coast and 90 miles from the English coast, being one of a group of islands known as the Channel Islands. The Channel Islands is simply a collective description; it has no constitutional or legal standing. Jersey has a population of some 98,000.

As one of the Crown dependencies, Jersey is autonomous and self-governing, with its own independent legal, administrative and fiscal systems. The Island is not represented in the UK parliament, whose Acts only extend to Jersey if expressly agreed by the Island that they should do so.

In 1973, the Royal Commission on the Constitution set out the duties of the Crown as including: ultimate responsibility for the 'good government' of the Crown dependencies; ratification of island legislation by Order in Council (Royal Assent); international representation, subject to consultation with the island authorities before concluding any agreement which would apply to them; ensuring the islands meet their international obligations; and defense.

Jersey is not a member of the European Union but is part of the European Union Customs Union of the European Community. The common customs tariff, levies and other agricultural import measures apply to trade between the island and non- Member States. There is free movement of goods and trade between the island and Member States. EU rules on freedom of movement for workers do not apply in Jersey nor is Jersey part of the single market in financial services. It is not required to implement EU Directives on such matters as movement of capital, company law or money laundering. Jersey plans to incorporate such measures where appropriate, with particular regard to the island's commitment to meeting international standards of financial regulation and countering money laundering and terrorism financing.

The question of an independent Jersey has been the subject of discussion over many years. In October 2012 the Council of Ministers issued a "Common policy for external relations" that noted *"that it is not Government policy to seek independence from the United Kingdom, but rather to ensure that Jersey is prepared if it were in the best interests of Islanders to do so"*. On the basis of the established principles the Council of Ministers decided to *"ensure that Jersey is prepared for external change that may affect the Island's formal relationship with the United Kingdom and/or European Union"*.

The Financial services sector (which includes banking, trust and company administration, fund management and administration, accountancy and legal activities) has grown such that it now accounts for around two-fifths of total economic activity in Jersey and employs about a quarter of the workforce.

Registration of ships

The rights and duties of states with regard to the registry of ships was once a matter of custom and practice. However they are now codified in international law contained in the United Nations Convention on the Law of the Sea 1982 (UNCLOS).

In respect of ship registry the Convention states:

“Every state shall fix the conditions for the grant of its nationality to ships, for the registration of ships in its territory, and for the right to fly its flag. Ships have the nationality of the State whose flag they are entitled to fly. There must be a genuine link between the State and the ship”

Article 94 of UNCLOS is clear as to the duties of a flag state by including the general statement that:

“Every State shall effectively exercise its jurisdiction and control in administrative, technical and social matters over ships flying its flag.”

The same Article 94 goes on to be more specific in setting out the duties of the flag state. These can be summarised as duties to:-

- Maintain a register of ships containing the names and particulars of ships flying its flag.
- Assume jurisdiction under its internal law over each ship flying its flag and its Master, officers and crew in respect of administrative, technical and social matters.
- Take all necessary measures to ensure safety at sea for its ships in regard to:-
 - Construction, equipment and seaworthiness
 - Manning, labour conditions and training.
- Ensure that each ship, before registration and thereafter at appropriate intervals, is surveyed by a qualified surveyor.
- Ensure that each ship is in the charge of a master and officers who possess the appropriate qualifications.
- Ensure that an enquiry is held into every marine casualty or incident of navigation on the high seas involving a ship flying its flag.

Article 27 of UNCLOS deals with criminal law making it clear that the flag state has exclusive jurisdiction over its ships on the high seas and also in respect of criminal acts involving crew on board when the ship is in port, unless the criminal act 'spills over' to the port state when jurisdiction may be split.

The constitutional relationship between the UK and the shipping registries operated by the Crown Dependencies and UK Overseas Territories is set out below.

Under the United Nations Convention on the Law of the Sea (UNCLOS) and under international law, all ships registered within the Crown Dependencies and UK Overseas Territories are British Ships.

In exercise of its powers, the United Kingdom as the Flag State under international law for these ships has devolved to the Crown Dependencies and UK Overseas Territories, which collectively with the United Kingdom are known as the Red Ensign Group (REG):

- (a) the authority and power to deal with all IMO flag state matters; and
- (b) the implementation of the duties, obligations and responsibilities of a flag state under international conventions that have been extended to individual Crown Dependencies and UK Overseas Territories, relating to the performance and safety of ships registered within these administrations, including Port State Control. These functions are devolved within the structure of the government of the flag state.

Under the Merchant Shipping (Categorisation of Registries of Relevant British Possessions) Order 2003, the ship registers of Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, UK and the Isle of Man have been granted Category 1 status, permitting them to register international trading fleets of unlimited tonnage, type and length, because the UK's ratification of certain international conventions has been extended to these jurisdictions. In each case, the UK is the State Party to these conventions and remains ultimately responsible as a matter of international law for the discharge of treaty obligations by relevant REG members.

The same Order makes provision for Anguilla, Falkland Islands, Guernsey, Jersey, Montserrat, St Helena and the Turks and Caicos Islands to operate a Category 2 register which limits the registration to passenger ships or of other ships of less than 150 gross tons. However, there is an exemption which allows the registration of domestic passenger ships, pleasure vessels between 150 and 400 tons and ships of special local importance, provided that arrangements are in force for such ships to be surveyed and inspected by reference to the standards set out in UK safety and pollution regulations.

Both Category 1 and Category 2 shipping registers operate with significant autonomy. Each register is responsible for the registration and adherence to international safety and environmental standards of their individual fleets. Additionally, five of the Category 1 registers (the UK, Bermuda, Cayman Islands, Gibraltar, Isle of Man) have now undergone individual audits under the IMO Voluntary Member State Audit Scheme (VIMSAS) (Res. A.974(24)). The Code (annexed to Res. A.973 (24)) sets out Member States' main responsibilities as flag, port and coastal States.

The Terms of Reference of the REG are:

The United Kingdom Secretary of State for Transport has general superintendence of the Red Ensign Group on all matters relating to merchant shipping and seamen.

The Maritime & Coastguard Agency (MCA) has delegated authority from the UK Secretary of State to ensure that the REG Registers maintain the highest international maritime standards in accordance with their obligations under the Conventions and in accordance with UK policy. The MCA fulfils this role through routine monitoring visits to each REG Register. As a part of its role the MCA facilitates liaison and technical discussions amongst the British Shipping Registries and facilitates an annual conference of all the REG Registers, which is known as the Red Ensign Group (REG) Conference. The UK also represents the interests of each REG member in international fora such as the International Maritime Organisation (IMO) and the International Labour Organisation (ILOc) The annual conference is held over the course of several days and aims to provide an opportunity for a rich and open exchange of views between delegates from the Red Ensign Group and the various Governmental Departments associated with maritime policy and the Crown Dependencies and Overseas territories. The conference seeks to strengthen maritime relationships between the different members and aims to disseminate and promote best practice within the Red Ensign Group. The Conference provides a forum for delegates to discuss policies and technical issues relating to current international rule making, maritime legislation, marine safety, pollution prevention, and the welfare of seafarers both for ships registered under Red Ensign flags and for ships under other flags that visit the ports of members.

Source: www.redensigngroup.org

It should be stressed that Jersey considers the role of the MCA to be advisory, UK policy is not necessarily the policy of all the Category 1 and 2 states and it is accepted that there can be room for divergence in respect of certain policy. Jersey, like any other Category 1 or 2 state, may request to attend IMO and other similar international meetings as a member of the UK delegation.

Part A - Jersey's aspirations and capabilities

Jersey aspires to be a major centre for ship registration, not only as a member of the Red Ensign Group (REG) but also as an independently recognized global Centre of excellence for services in the maritime sector.

1) Elevation to REG Category 1:

Jersey is presently authorised by the UK Maritime & Coastguard Agency (MCA), an autonomous division of the UK Ministry for Transport, to provide services as a REG Category 2 state for the registration of commercial vessels and of pleasure craft up to 400 gross tons. Confirmation of Jersey's enhanced status permitting the registration of commercial vessels as well as pleasure craft up to 400 gross tons was confirmed in a Memorandum of Understanding between the MCA and Jersey dated 26th November 2013.

It is Jersey's desire to secure approval from the MCA to provide services as a REG Category 1 state as part of the promotion of a global offering of services encompassing not only those associated with ship and pleasure craft ownership.

2) Spearheading growth in the maritime and related service sectors:

By achieving REG Category 1 status Jersey would be able to undertake the registration of ships and yachts of any size and type. Category 1 status would provide Jersey with the opportunity to build on its already well known reputation in the finance and legal sector and also in providing services to high net worth individuals. Opportunities will be available to strengthen ship and yacht management services, technical services and other services within the maritime cluster. Ship and yacht owners are attracted to a 'one stop one shop' location with an attractive financial environment where business can be conducted with the minimum of bureaucratic interference.

3) Quality and service is paramount:

Owners and managers, whether of a 150,000 dwt bulk carrier or a 50 metre superyacht demand the highest quality of service in all respects of their business. In respect of ships and yachts this extends from simple and cost effective registration to knowledgeable and experienced surveyors handling inspections and providing technical advice and up to date information service concerning both domestic and international legislation and conventions. The availability of a 24/7 service when needed and of a clear, informative and up to date website is the minimum standard.

The same quality standard will be expected of related services, whether financial, legal, technical or management.

Part B – Background

1) Ship and yacht registration

Ship registries

There are some 170 countries/states, known as Flag States, offering ship registry, although not all accept the registration of yachts or fishing vessels. The international body overseeing the responsibilities of Flag States is the International Maritime Organisation (IMO), established in 1958 as a United Nations agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships. Whilst it is for individual nations/states to decide whether to establish a ship registry and to decide on the domestic legislation necessary for the establishment and regulation of the ship registry, the IMO establishes conventions relevant to the safety and security of shipping and the prevention of pollution. Each convention is then ratified by individual IMO member countries and comes into force either once enough countries representing a certain percentage of the world fleet have ratified it, or after a stated time. Similarly, the International Labour Organisation (ILO) establishes conventions relating to ship's crew conditions. The leading 35 flag states are shown in Annex 1.

Ship registries fall into one of three kinds:-

- 1) **National registries:** Examples are the United States, China, Japan and India, where ships registered must be owned by the flag state's nationals or corporations and there are crew nationality restrictions.
- 2) **Open Registries:** Such as Liberia, Panama, Cyprus and the majority of registries now operating. Such registries accept ownership by foreign nationals or corporations but will usually require a locally incorporated management company or recognised representative – often a 'brass plate' company – available for the service of official documents. Open registries do not apply any restrictions on crew nationality but most will be required to endorse a crew member's qualification certificate as being accepted by the flag state.
- 3) **Dual or Second Registries:** France, Denmark, Norway and the Netherlands, for example, have established second registries in one of their overseas territories with the express intention of enabling their nationals to overcome some of the restrictions of the national register

The term 'flag of convenience' was coined by the International Transport Federation (ITF) in the 1960s to describe the registration of a vessel in a country where the beneficial ownership and control of a vessel is found to be elsewhere than in the country of the flag that the vessel is flying. 'Flags of convenience' were seen as a means for ship owners to obtain cheap registration with minimum restrictions, often for substandard ships, without application of the laws of the country of beneficial ownership. Whilst the ITF's openly aggressive campaign against flags of convenience has considerably softened over the last 20 years or so, it still regards some 30 ship registries as flags of convenience including such well known ones as Liberia, Panama, Bahamas, Bermuda, Marshall Islands, Cyprus, Cayman Islands, Gibraltar and Malta.

The flag states of the world literally encompass the world and include states that do not have a coast line, such as Luxembourg and Mongolia as well as states with which many will not be familiar such as Palau and Sao Tome. The relative size, by fleet profile, of a sample of leading registries is shown in Figure 1 of the attached charts.

Ship registration itself is a relatively easy and inexpensive process, although some of the associated procedures that may be necessary can be more complicated and time consuming. However, the quality of service provided by flag states varies considerably. Prominent flag states such as Liberia, Bermuda, Hong Kong and Isle of Man are leaders in the pursuit of ship safety and also crewing standards. With their own or nominated surveyors around the world, necessary ship surveys can be carried out promptly and accidents and other incidents involving their flag ships are investigated thoroughly by their own experienced casualty investigation staff. Quality of service is paramount and the majority of ship registries will describe their goal in a similar way:

"To provide a full array of ship registration services following the highest standard of quality, safety and environment protection. Our goal is to provide a fast, reliable, effective and efficient registration service to ship owners."

UNCLOS states that *"There must be a genuine link between the Flag State and the ship"*. The convention does not go any further in defining 'a genuine link' and different flag states have different ideas. Some flag states consider that a genuine link is created if the owning company is registered in or the management of the ship is undertaken from the flag state. An alternative adopted by some flag states is to accept companies constituted in an acceptable country as owners and then require that a "Representative Person" in the flag state is nominated, thus creating a genuine link between the flag state and the owners.

This is the option that the UK and Jersey follows now when the owner is an individual from or is a corporate body not registered in Jersey, the UK, British Overseas Territories, the Commonwealth or the European Union. The ITF do not consider that the Representative Person is a sufficiently genuine link between the vessel and the flag state and this is one consideration that could lead the ITF declaring a flag state to be a flag of convenience.

Related to the genuine link is the question of transparency. In certain quarters,

including the OECD and the USA, there is pressure to ensure that there is complete transparency as to ownership and control of a vessel. In the USA the main concerns centre on security and effective prosecution in the event of pollution incidents whereas the OECD is more concerned about combating harmful tax practices and the ability to “hide” vessel ownership. For a registry, striking the right balance between being too obscure, and thus incurring the disapproval of the OECD and others, and being too transparent and thus perhaps losing some of the attractiveness of the register to certain owners, is an important decision.

An important aid to assist owners in deciding with which flag state to register is the “*Shipping Industry Flag State Performance Table*” produced annually by the International Chamber of Shipping and the International Shipping Federation.

Each of 111 flag states is graded by a ‘positive performance indicator’ or a ‘potentially negative performance indicator’ in respect of 18 categories under 6 headings, namely:-

- Port State Control
- Ratification of Conventions
- Complying with IMO Resolution A.739 concerning Recognised Organisations
- Age of fleet
- Reporting Requirements
- Attendance at IMO meetings

Port State Control

Port State Control (PSC) evolved from a meeting of European states in 1978 concerned about labour standards on board ships and whether they met international conventions. In 1982 the Paris Memorandum of Understanding (Paris MOU) was signed setting up a regime for the inspection of ships to ensure that they conformed with both safety and labour conventions). 26 nations plus Canada are signatories and over the years similar MOU have been established including:-

- Tokyo MOU (covering the Pacific)
- Vina del Mar Agreement (covering 15 countries in Central and South America)
- Caribbean
- Mediterranean
- Indian Ocean
- Abuja (covering West and Central Atlantic Africa)
- Black Sea
- Riyadh (covering the Persian Gulf)

The USA is not a signatory to any of the MOU but has its own PSC arrangements under the United States Coast Guard (USCG) Port State Control.

Whilst there is not a specific IMO convention on PSC, the IMO's involvement in PSC comes in the form of facilitating discussions between the various MOU and encouraging the establishment of uniform practices and standards in respect of ship inspections which are required in one form or another by many of the IMO conventions.

Some of the MOU, including Paris and Tokyo, publish lists showing which flag states have a good record in the findings of ship inspections and which have been found to be deficient to a greater or lesser extent. Ships of Flag states on the "White List", being found to show the greatest conformity to the safety at sea and labour conventions, will be subjected to a reduced number of inspections compared to those on the "Black List" which can expect to be inspected whenever calling at the relevant MOU port and will be subjected to very detailed examination, often disrupting ship operations and resulting in delay. Ships which fail to comply with SOLAS¹, STCW² and MLC³ conventions may be detained in port.

The latest lists published in their 2012 Annual Reports by the Paris and Tokyo MOUs, the two biggest, show the number of Flag States on their "Black", "Grey" and "White" lists as under:

Table1. Number of Flag States on Black, Grey and White Lists			
	Black List	Grey List	White List
Paris MOU	23	18	45
Tokyo MOU	15	17	31

Only flag states that have had more than 30 separate inspections of their ships of a rolling 3 year period are included in the list.

The only REG state not included on the White List is Gibraltar which is on the Tokyo “Grey” List. Quality conscious owners will monitor the MOU reports in respect of their White, Grey and Black lists when considering a flag state.

Every ship registry looks for its unique selling points (USP). They include:-

- Price
- Fast registration
- 24/7 service
- Wide network of own offices and representatives
- Wide network of own surveyors
- Tax and cost efficient company registration and management
- Active IMO representation and prompt ratification of conventions
- Efficient website acting as a transparent information centre
- A maritime centre with a cluster of maritime related activities
- A strong legal regime supporting registration and enforcement

Few flag states can claim all these points but each one is an important part of the offering by an expanding registry.

More than 50% of the world’s total deadweight tonnage is registered under 5 flags and 80% is registered with one of 14 flag states. However, in terms of the number of vessels registered, the top 5 flags account for 18% of the world total whilst the top 35 flag states have registered only 68% (Annex 1 attached).

- 1- International Convention for the Safety of Lives at Sea 1974
- 2- Convention on Standards of Training, Certification and Watchkeeping for Seafarers 1978
- 3- Maritime Labour Convention 2006

It should be noted that a ship register will normally show its tonnage registered as Gross Tons, the basis on which most registries charge fees. However most third party sources, such as IHS Fairplay, use deadweight tonnage (DWT) as the primary measure, it being the standard measurement indicator for vessel size. DWT is the displacement of a fully loaded vessel minus the lightship weight (being the actual weight of a ship without fuel, cargo, water, passengers, crew stores etc.). DWT is now usually quoted in metric tons of 1,000kgs.

The size of the owned fleet of any country bears little relationship to the tonnage registered in that flag state. Use of foreign flags is prevalent with only 9 countries amongst the top 35 having less than 50% of the owned fleet registered under foreign flags – see Annex 1.

Yacht registration

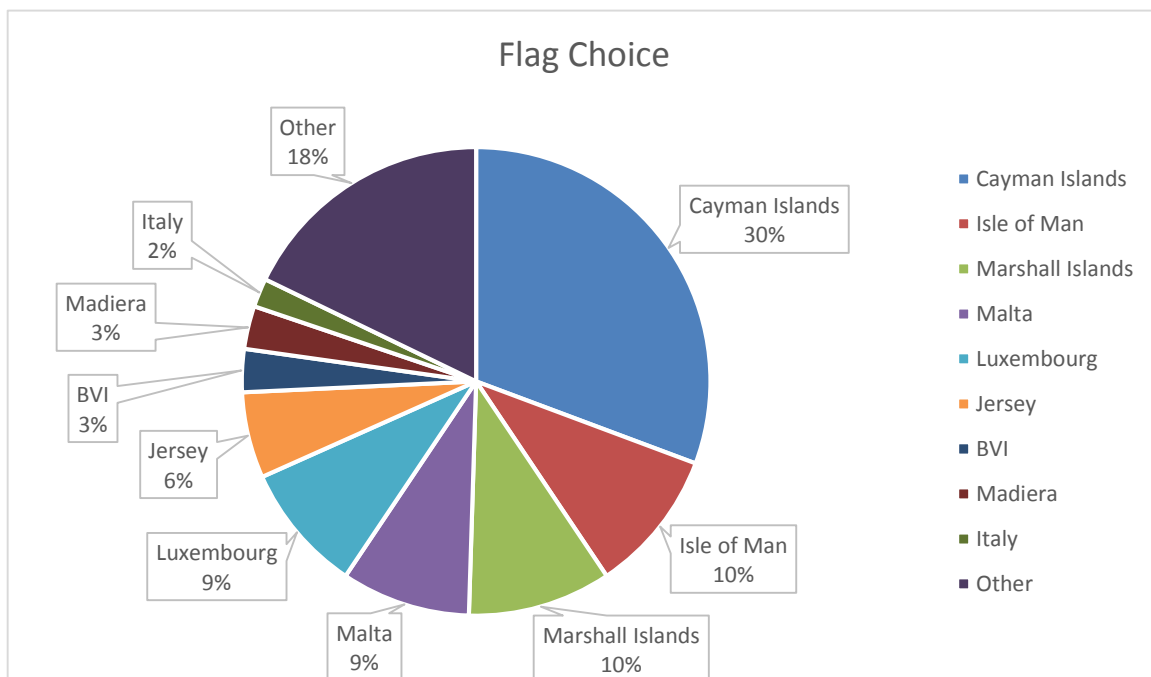
Whilst registration incorporates title of ownership, the increase in the popularity of yacht ownership (in this report ‘yacht’ refers to either a sailing yacht or a motor yacht) and the substantial growth in the number of superyachts, defined as a yacht in excess of 24 metres in length, has encouraged more ship registries to specifically cater for the yacht industry. Many registries have a voluntary small yacht register which basically records the ownership of a yacht up to 24 metres in length. However, any vessel that carries out a commercial operation, whether carrying fare paying passengers or cargo or operating as a charter vessel must be registered. Financial considerations clearly drive the choice of many owners in considering where to register a superyacht. Whilst the Cayman Islands, with no corporate or income tax, no capital gains tax and no VAT, is the largest superyacht registry with some 725 vessels, Bermuda and the BVI with similar nil tax regimes have been very much less successful in attracting superyachts, perhaps because it is believed that they have much more rigid transparency requirements in respect of ownership than does the Cayman Islands.

In a recent survey of superyacht Captains published in The SuperYacht Report November 2013 a number of interesting answers emerge.

Who decides which Flag to choose?

It is the owner who decides, a choice that is probably based on more immediate gains, considering a yacht's status as a loss-making asset, rather than an interest in maritime legislation, as shown the chart below:

	No.	%
Yacht owner	76	44.44
Owner rep	31	18.13
Yacht manager	24	14.04
Captain	23	13.45
Lawyer	17	9.94
Total	171	100%



Given a choice, what flag would you be registered with?

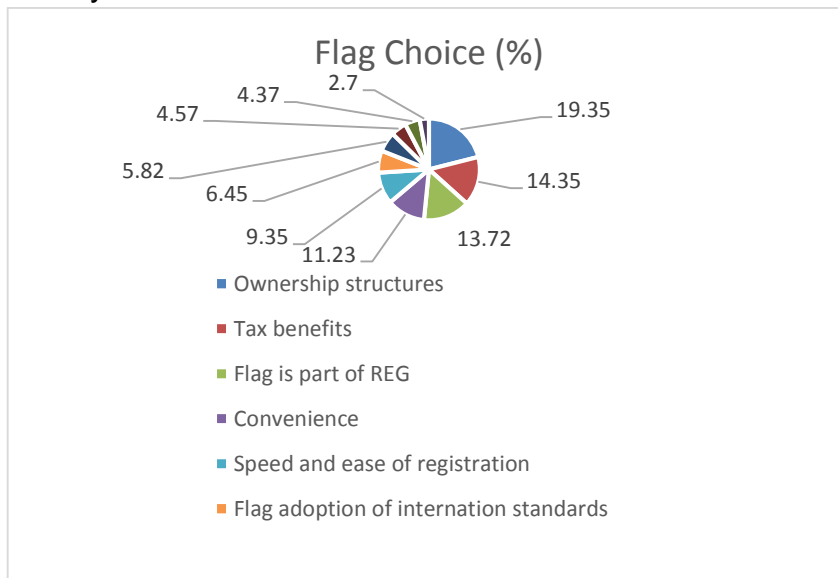
Cayman Islands	44	27.5%
United Kingdom	24	15.0%
Isle of Man	15	9.4%
Marshall Islands	15	9.4%
Malta	13	8.1%
Luxembourg	13	8.1%
Jersey	8	5.0%
British Virgin Islands	5	3.1%
Madeira	4	2.5%
Italy	3	1.9%
Cook Islands	3	1.9%
Bermuda	3	1.9%
Jamaica	3	1.9%
Antigua & Barbuda	2	1.3%
Bahamas	1	0.6%
Singapore	1	0.6%
Cook Islands	1	0.6%
Monaco	1	0.6%
USA	1	0.6%
Total	160	100%

The Cayman Islands, the first choice of flag in the Captain's survey, is already a Red Ensign Group Category 1 registry. Their popularity is no doubt, partly because of the very favourable tax regime and partly, it is understood, because of their attraction to American owners, most of whose superyachts do not leave the Caribbean area very often. Changes of flag state for a superyacht during a period of ownership by the same person are unusual.

In which Flag States is your Superyacht registered		
	No.	%
Cayman Islands	59	31.72 %
Malta	23	12.37 %
Isle of Man	14	7.53 %
United Kingdom	13	6.99 %
Marshall Islands	10	5.38 %
British Virgin Islands	8	4.30 %
USA	8	4.30 %
Bermuda	5	2.69 %
Jersey	5	2.69 %
Cook Islands	4	2.15 %
Netherlands	4	2.15 %
Antigua & Barbuda	3	1.61 %
Guernsey	3	1.61 %
St. Vincent & Grenadines	3	1.61 %
Italy	3	1.61 %
Total	165	100 %

In the same survey captains were asked to state their reason for preferring registration with a certain flag, as outlined in Figure 2.

Figure 2: Reasons for preferring a certain flag SuperYacht Report Captain’s survey



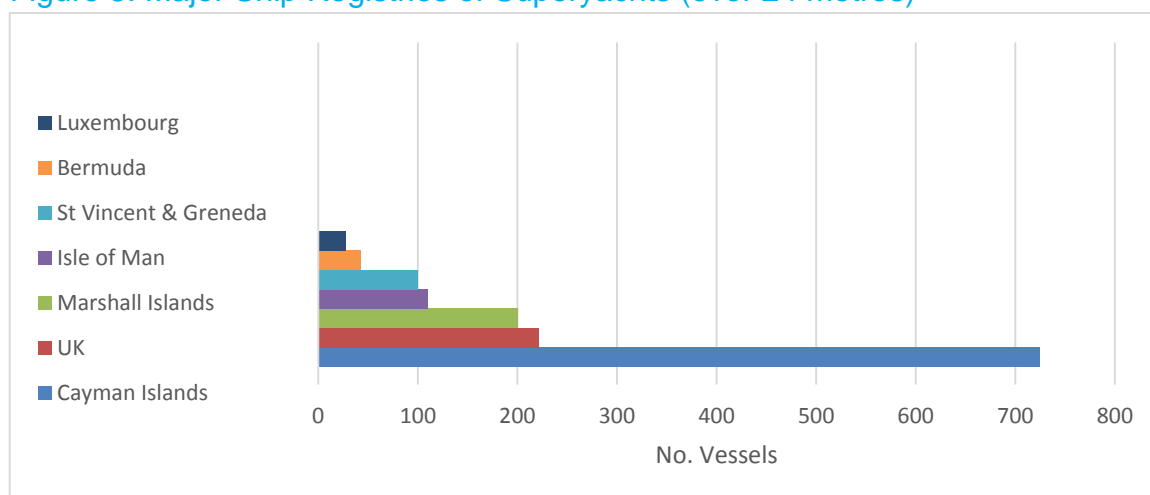
	%
Ownership Structures	19.35
Tax benefits	14.35
Flag is part of REG	13.72
Convenience	11.23
Speed and ease of registration	9.35
Flag adoption of international standards	6.45
Quality & availability of technical support	5.82
Registration fees	4.57
Availability of additional maritime services	4.37
Paris & Tokyo MOU White List	2.70
Total:	100%

It must be stressed that these were the views of Captains, not owners.

The status as a member of the Red Ensign Group (13.72 percent) would be based on the group's revered position within the global maritime community, and its reputation for good governance and due diligence, but it could equally be perceived as a status symbol because owners are often inclined to select a flag based on its appearance (and perception by other owners) at the stern of the yacht.

Many ship registries do not openly disclose the details, or number, of superyachts that they have registered but prominent amongst those that do disclose are:

Figure 3: Major Ship Registries of Superyachts (over 24 metres)



Source: *SuperYacht Report November 2013*

Jurisdictions	No. of Superyachts
Cayman Islands	725
UK	222
Marshall Islands	200
Isle of Man	110
St Vincent & Grenadines	100
Bermuda	43
Luxembourg	28

Among the states that do not disclose yacht registrations, the USA and Malta are known to have a significant number of superyachts registered.

Whilst most superyachts are corporately owned and managed, although the realistic owner is an individual, the Captain is frequently away from the home port or corporate headquarters for lengthy periods, perhaps in ports and areas not on regular shipping routes. He is therefore heavily reliant on the regulatory and technical information available from the flag state through the ship registry and the assistance of the appointed surveyors. In the survey by SuperYacht Report of superyacht captains mentioned above, these three reasons behind the choice of flag were prominent:

- Flag state is part of the Red Ensign Group;
- Flag adoption of international standards; and
- Quality and availability of technical support.

Collectively the Red Ensign Group is the most popular for superyacht registry, not because of low tax structures but because of the prestige of the Red Ensign flag, in all its forms, and the belief that when in need REG flag states, through the UK, can provide a superior level of assistance and advice.

Fishing vessels

Many flag states maintain a separate registry for fishing vessels as they are subject to a separate set of regulations which apply to all registered fishing vessels irrespective of size. A number of flag states are very cautious about registering ocean going fishing vessels because of the history in many parts of the world of disputes concerning infringement of coastal waters, infringement of net and line regulations, poor maintenance etc. Whilst a flag state may be able to keep the necessary degree of control over inshore fishing vessels registered in the Small Boats Register, to do so over ocean going vessels that may only infrequently return to a home port is more difficult. Jersey may wish to consider whether it wishes to take on the burden of registering fishing vessels.

Merchant Ships

The world fleet of ships of all sizes and types is said to be in excess of 105,000 in number. The 12 ship classifications used by Equasis, one of the world's largest public database of ships are as follows:

General Cargo Ships	16,061
Specialised Cargo Ships	259
Container Ships	4,858
Ro-Ro Cargo Ships	1,470
Bulk Carriers	9,892
Oil and Chemical Carriers	11,730
Gas Tankers	1,578
Other Tankers	726
Passenger Ships	6,423
Offshore Vessels	7,002
Service Ships	4,494
Tugs	14,978
Total	79,471

(Source: Equasis)

The aggregation of ship types used to arrive at these 12 categories is shown in Annex 2. It should be noted that the 13th category shown in the Annex covers vessel types not included in Equasis statistics. The Equasis database is populated from records submitted by Port State Control MOUs and taken from HIS Fairplay. It therefore does not include vessels that are not subject to International Conventions or Port State Control.

A short overview of the different ship types may be useful:-

General cargo ships: 72% of the world fleet of some 16,000 general cargo ships are under 25,000 GT, the majority of which are less than 15 years old and include refrigerated vessels. Often on routes where there are not sophisticated container facilities, these vessels carry a wide range of break bulk cargo, often with cargo that cannot be containerised. Of the most popular size, 501 - 25,000 GT 50% fly the flag of states that are listed on the Black List of at least one Port State Control area (defined by Equasis as 'Targeted flags').

Specialised cargo ships: The 259 ships in the world fleet include specialised heavy lift vessels and livestock carriers. Some 55% fly Targeted Flags.

Containerships: The world fleet of container ships consists of 4,858 ships. Since the first purpose built container ship was delivered in 1968, known as 2nd generation ships following 1st generation ships which had been converted to cellular container ships, the development of larger ships has been continuous:

1957	1 st Generation converted ships
1968	2 nd Generation 800 – 1,500 TEU ⁴
1972	3 rd Generation 3,000 TEU
1988	4 th Generation 4,500 TEU over Panamax
1996	5 th Generation 7,400 TEU Very Large Container Ship (VLCS)
2006	6 th Generation 15,500 TEU Ultra Large Container Ship (ULCS)
2013	7 th Generation 18,200 TEU

As at 1st July 2013 the size profile of the container ship fleet was as shown below:

Ship Capacity - TEU	Number of vessels in service	Number of vessels on order
100 - 499	22	0
500 - 999	774	7
1,000 – 1,499	683	24
1,500 – 1,999	565	38
2,000 – 2,999	671	31
3,000 – 3,999	275	47
4,000 – 5,099	758	49
5,100 – 7,499	482	27
7,500 – 9,999	355	119
10,000 18,500	183	103
Total	4,968 vessels	445 vessels

Source: Alphaliner

The age profile of the container vessel fleet shows that it is relatively young with 76% of the fleet under 15 years old.

Age	Percentage of Fleet (%)
0 – 4 Years	28.50
5 – 14 Years	47.10
15 – 24 Years	20.60
+ 25 Years	3.80
Total	100.00

Source: Equasis

Whilst 1,595 vessels (33%) of the world fleet fly targeted flags, 932 (58%) of these are vessels of 501 – 25,000 GT.

4 TEU – Twenty Foot Equivalent; the universal ISO standard of measurement of containers

Ro – Ro cargo ships: There are 1,470 Ro-Ro cargo ships in the world fleet, a significant number of which are vehicle carriers operated mainly by Japanese, Korean and Scandinavian companies with half the fleet being over 15 years old.

Bulk carriers: With some 9,900 vessels in the world fleet there is a diversity of types including:-

- Bulk carriers	67,167(average DWT per vessel)
- Ore carriers	233,096
- Wood chip carriers	48,396
- Self-discharging	39,030
- Cement carriers	6,778

There are also combination carriers:

- Bulk/oil carriers	97,859
- Ore/oil carriers	38,502

Generally bulk carriers are categorised as:

- Handy size	10-40,000 dwt
- Handymax	40–60,000 dwt
- Panamax	60-80,000 dwt
- Capesize	over 80,000 dwt

The largest bulk carriers ever built are the 16 Valemax vessels of 380,000-400,000 dwt specifically for the Brazil – China ore trade. Of total seaborne bulk commodities, Iron ore comprises some 30%, coal 25%, grain 10% and steel products 8%. The world bulk carrier fleet is relatively young with 4,333 vessels, some 44%, being less than 5 years old but 12% being over 25 years old.

Oil and chemical tankers: The world fleet is made up of:-

- Crude/products tankers	6,508 vessels
- Oil/chemical tankers	3,686 vessels
- Chemical tankers	1,145 vessels

Tankers are classed in size:-

- Handysize	10,000-40,000 dwt
- Handymax	40,000-60,000 dwt
- Panamax	60,000-80,000 dwt
- Aframax	80,000-120,000 dwt
- Suezmax	120,000-199,999 dwt
- VLCC ⁵	200,000-319,000 dwt
- ULCC ⁶	over 320,000 dwt

⁵ VLCC – Very Large Crude Carrier

⁶ ULCC – Ultra Large Crude Carrier

Greece controls the largest tanker fleet with some 99 million tons dwt (about 20% of the world fleet by dwt) followed by the Japanese, 60 million dwt (12%) and Germans 24 million dwt (5%). Some 69% of the world fleet are registered under foreign flags.

Some 25% of the world tanker fleet is over 25 years old and it is noteworthy that over 40% are registered with flag states not in the top 10, with 25% being registered with targeted flags.

Gas tankers: These are either CO₂, LPG or LNG carriers with a world fleet of 1,578 vessels which, over the period 2008 – 2012, grew by an average of 11% per year, based on capacity.

Other tankers: A world fleet of 725 vessels, these are primarily specialist commodity carriers nearly all being less than 25,000 dwt.

Passenger ships: Statistical analysis usually differentiates between Passenger ships, Ro-Ro Passenger ships and Cargo Passenger ships. Although the world fleet in total is more than 6,000 vessels, the majority operate as ferries within national waters or over relatively short regional distances. There are some 425 Cruise vessels in the world ranging from the 'Alure of the Seas' at 225,000gt with a passenger capacity of 5,400 to ships with a capacity of just 70, providing the ultimate sunshine cruise and high latitude expedition cruising in the Arctic and Antarctic. The Carnival Group based in Miami operates the largest fleet with 102 cruise ships under nine different brand names. River cruising is becoming more popular and there are over 100 river cruise vessels operating in Europe, Egypt and Asia.

Offshore vessels: With some 7,000 vessels worldwide there is a very diverse range of vessel related to the offshore oil, gas and wind farm industries.

Service ships: The 4,500 vessels in this category cover 22 different types of vessel, half of which are less than 500 gt.

Tugs: 95% of worldwide fleet of some 15,000 tugs are less than 500gt.

Yachts: There are some 4,840 superyachts on the water ranging from 24 metres to 180 metres with an overall average of 48.55 metres. In addition, according to *SuperYacht Intelligence*, there are 720 superyachts on order, with an average length of 40.59 metres, being built in 198 yards around the world. Of the yachts on order 90 are classified as ‘sailing yachts’ with lengths between 24 metres and 148 metres.

The most prolific countries of build are:-

Italy	272 orders
Netherlands	66 orders
Turkey	65 orders
USA	65 orders
UK	62 orders
Taiwan	41 orders

The number of superyachts on the water has nearly doubled between 2000 and 2011 and whilst there has been little change in the balance between sailing yachts and motor yachts, there has been a continuing tendency towards the larger yachts, over 40 metres’. It should be noted that *Superyacht Intelligence (SI)* is tending to consider yachts over 30 metres, rather 24 metres, as superyachts.

Table 4. Number of Superyachts on the water

Year	Total number	Sailing	Motor	Deliveries	30 - 40m	40 - 50m	Over 50m
2000	2,296	24%	76%	110	75%	13%	12%
2004	2,911	26%	74%	185	68%	20%	12%
2008	3,881	22%	78%	268	66%	17%	17%
2011	4,491	21%	79%	178	50%	26%	24%

Source: *SuperYacht Intelligence 2012 Annual Report*

Since the banking crisis of 2008 deliveries of new builds have slowed but there has been no let-up in the percentage of motor yachts compared to sailing yachts or in the trend towards longer yachts.

Year	SuperYachts over 70m delivered
2000	64
2004	81
2008	111
2011	138

Source: *SuperYacht Intelligence 2012 Annual Report*

The superyacht fleet is predicted to grow by about 50% over the next 20 years with an average of 140 new yachts delivered each year.

In terms of size, the order book not only reflects the overall popularity of yachts from 24 to 40 metres (68% of those on order) but also the striking number of larger yachts on order, 140 over 50 metres.

Until relatively recently, superyachts were the preserve of American and European ultra-high net worth individuals (UHNWI), being defined as individuals with assets in excess of US\$100 million. However since the early 2000s Russian oligarchs have been noted for acquiring very large motor yachts. To date, the largest superyacht launched is the “Assam” at 180 metres owned by the President of the United Arab Emirates.

The major areas of growth in the number of UHNWIs in the next decade are predicted to be Central, South and South East Asia, Middle East, Eastern Europe and Latin America with growth rates well in excess of 50% in the period 2011 – 2016, against a predicted global average growth rate of 37%.

At present the top six countries with UHNWIs are:-

USA	12,578 individuals
China	1,837 individuals
Germany	1,399 individuals
UK	1,057 individuals
Japan	998 individuals
Russia	964 individuals

Figure 4: Top countries with UHNWIs (number of individuals)

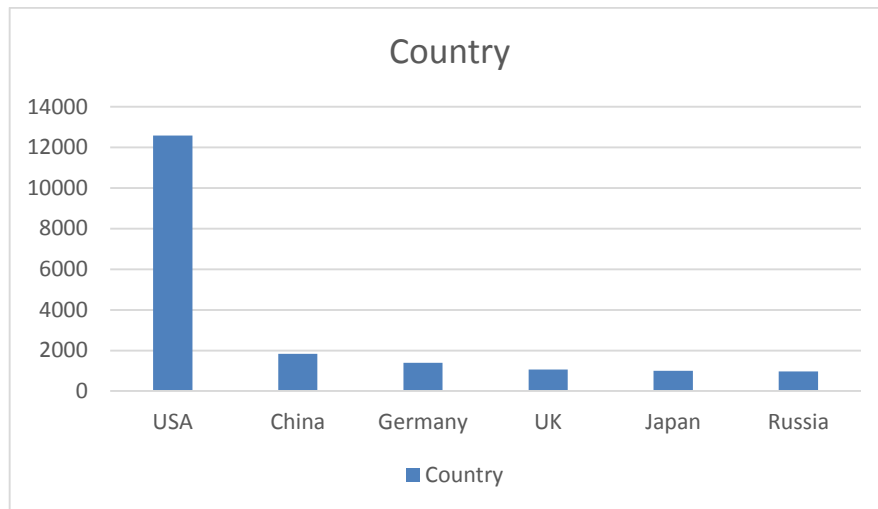
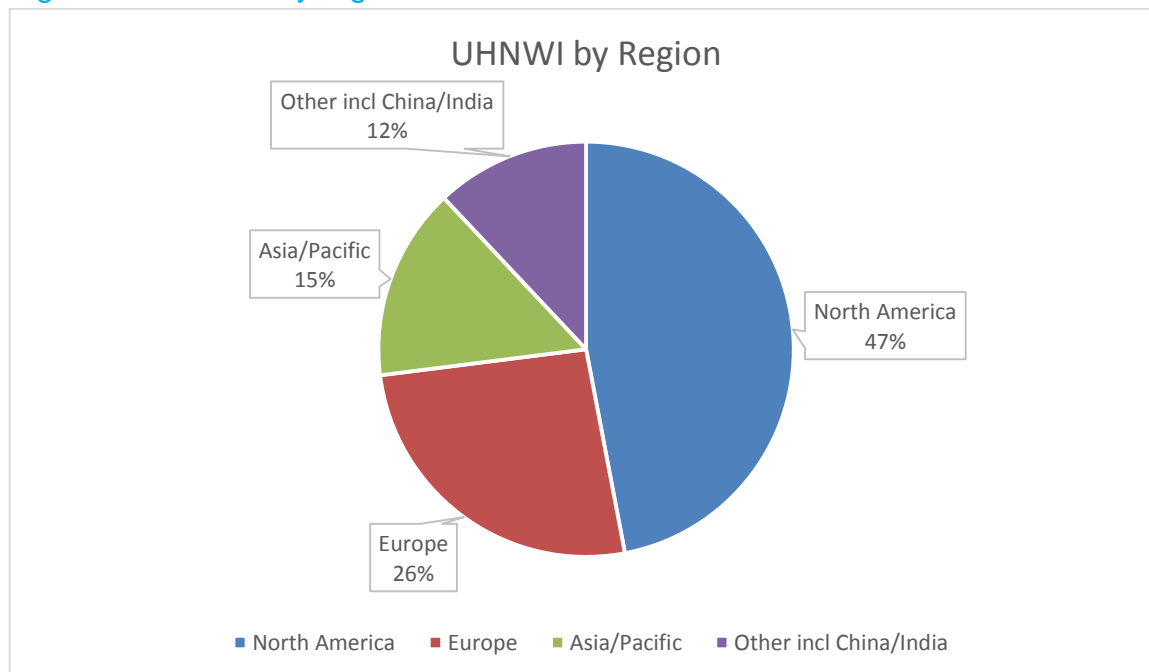


Figure 5: UHNWIs by region



Source: *SuperYacht Annual Report 2012*

There is little evidence at this time that UHNWIs from Asian countries, including China and India, are investing in superyachts to any great extent, possibly because of their philosophy of only investing in increasing asset value. However with an increase in the development of suitable facilities in Asia, and of yards capable of building superyachts resulting in a higher visibility of superyachts, it is expected that investment by Asian owners will increase. Although the average superyacht owner is profiled as being 63 years old with a net worth of US\$680 million, the average Chinese billionaire is aged 53 with wealth of \$1.4 billion and 10% liquidity. The Asian UHNWIs are seen as the next generation to replace the reduction of UHNWIs resulting from the 2008 financial crisis and are the target of superyacht designers and builders.

It is the Russians and Middle Eastern UHNWIs that are presently leading the way in the placing of new orders for superyachts. For most UHNWIs investing in a motor superyacht, they are doing so in order to provide themselves with what is best described as a mobile holiday home in which they can spend time in considerable comfort but still be able to conduct business and be in touch with the world through the most modern methods of communication. The typical owner spends less than 40 days a year on board his/her superyacht and for most the superyacht is treated as a floating hotel possibly moving relatively short distances, frequently no more than 100 miles, each time the owner is on board. The relatively small number of sailing superyachts, less than 10% of the total number, are owned by individuals that do have a real interest in and enjoy sailing when they are on board, either cruising or racing.

The great majority of superyachts are available for charter with the Caribbean and the Mediterranean being the most popular areas but there is an increasing number of owners that are positioning their yachts in the South Pacific and S E Asia for up to six months a year and taking advantage of the growing interest in charters in these areas.

Almost all superyachts are registered as being corporately owned but the beneficial owner will be a UHNWI, most of who go to considerable lengths to protect their identity. Contracts with designers, builders, suppliers, crew etc. will usually have strict confidentiality clauses concerning the identity of the beneficial owner and his/her family and, frequently, of charterers.

Competition

With 170 ship registries competing for a share of a finite market, competition is severe. Just 18 registries have 1.00% or more of the world fleet deadweight tonnage and it is the top 5 that dominate with a total of 55%. The success of each of the top 5 is based on a range of selling points.

Panama, 21.39% is one of the oldest ship registries, has been the largest for some 50 years and now has more than double the number of vessels registered compared to Liberia, the second largest registry. Japanese companies are the largest users of the Panama registry, particularly for bulk carriers. Its appeal has been based on:-

- there being no requirement for pre-registration surveys, unless a vessel is more than 20 years old
- no requirement for ongoing surveys other than those required by Class
- no crew nationality restrictions
- no ownership nationality restrictions
- acceptance of a lack of corporate transparency
- flexible pricing structure

Liberia, 12.38%, the second largest ship registry was established in 1948 and, with Panama was one of the original flags of convenience. Run by a US commercial company, the registry has made conspicuous efforts over the last 20 years to improve its image by working closely with the IMO on many aspects of seafarer certification and identification. Liberia was one of the instigators of the ILO Maritime Labour Convention. With a very strong marketing organisation, the registry in recent years has broadened its ship type profile and is the largest registry for container ships. German and Greek owned vessels account for a significant portion of the total vessels registered.

The registry's strong points include:

- Very strong marketing organisation
- Large number of own surveyors worldwide
- Strong on technical advice
- No crew nationality or owner restrictions

The Marshall Islands' registry, 8.01%, has grown very rapidly since its formation in 1988 and is administered by a US corporation which, until 1990, used to run the Liberia registry.

Supported heavily by US, Greek and Bermudan registered owning companies and now the third largest registry, the Marshall Islands has made its name based on:-

- Very fast growth, initially securing many of its previous Liberia registry clients
- Aggressive marketing
- Very fast and cheap company formation and ship registration
- Nil corporation tax
- Strong USA connections

Hong Kong, 7.61% of world fleet registered, has grown rapidly since the return of the colony to China in 1997 and the growth of the Chinese shipping industry. More than 50% of vessels registered are bulk carriers. Its primary strength is the support of Hong Kong and Chinese ship owners.

Singapore, the fifth largest registry with 5.35%, has appealed not only to local ship owners but also to many others attracted by the vibrant and inviting nature of the country, the very positive attitude of government to maritime affairs, the efficiency of the ship registry and the heavy emphasis placed on ship safety through regular surveys and crew certification checks.

Table 6 below shows the type and number of vessels registered with a sample of flag states.

Table 6: Type and number of vessels registered with a sample of flag states								
	Total no. of vessels	General Cargo	Container	Bulker	Crude Oil Tanker	Product Tanker	Gas Carrier	Cruise Ship
Panama	5,714	1,390	697	2,741	301	320	221	44
Liberia	2,602	138	997	810	417	124	115	1
Hong Kong	1,904	246	386	1,039	112	88	33	0
Marshall Islands	1,600	77	248	823	248	97	98	9
Singapore	1,589	113	417	412	194	334	118	1
Malta	1,292	300	152	567	118	53	52	50
Antigua & Barbuda	1,143	721	371	36	0	0	15	0
Bahamas	874	146	55	271	191	34	76	101
Greece	772	128	23	253	276	70	16	6
Cyprus	736	186	199	299	25	17	9	1
Germany	286	73	187	1	8	14	2	1

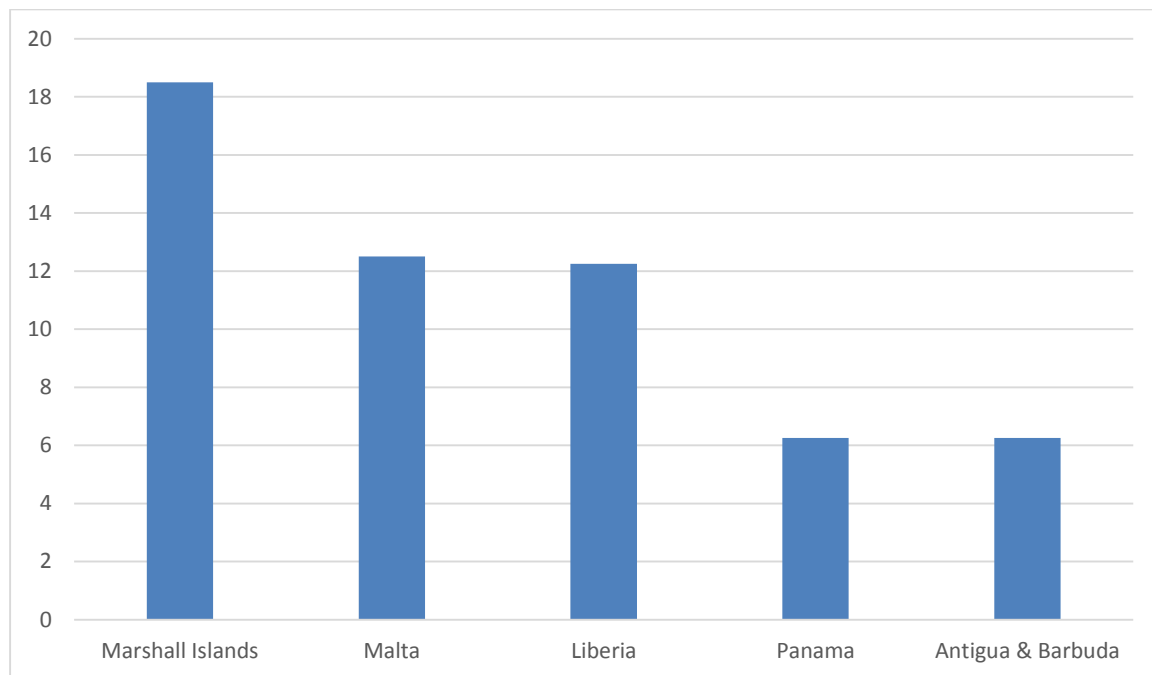
Source: IHS Fairplay

All the major registries include a majority of their vessels for which the country of domicile is different from the flag state.

In the five year period 2008 – 2012 only St Vincent & the Grenadines and the Cayman Islands registries failed to achieve consistent yearly growth. St Vincent probably suffer from its poor reputation for being on the PSC Black List whilst the Cayman Islands saw a reduction in the number of superyachts being registered, almost certainly a consequence of the 2008 banking crisis.

In this period the fastest growing open registry flag states were:

Figure 6. –Fastest growing open registries 2008 – 2012 (average yearly growth %)



Source: ISL with IHS Fairplay

In the early years of the development of Jersey as a Category 1 registry it is likely that competition will mainly come from other REG Category 1 registries that are looking to attract the same profile of vessels i.e. younger, well managed vessels from reputable owners.

The following table shows the number of vessels of each type registered with each of the Red Ensign Group and highlights the different concentration of vessel type in each registry. This table does not include Superyachts.

Table 7. Red Ensign Group – Type and number of vessel registered								
	No. of vessels	General Cargo	Container	Bulker	Crude Tanker	Product Tanker	Gas Carrier	Cruise Ship
UK	341	124	126	38	19	23	6	5
IoM	296	48	11	91	66	25	55	-
Gibraltar	204	129	44	9	-	18	4	-
Bermuda	131	22	16	17	11	9	47	29
Cayman	51	16	-	27	4	2	1	1
BVI	7	7	-	-	-	-	-	-
Total	1,030	326	197	182	100	77	113	35

Source: HIS Fairplay

The British Virgin Islands (BVI) are the newest Category 1 Register, having been elevated from Category 2 in 2007. However it will be noted that in the past 6 years the registry has only been successful in securing 7 vessels totaling 2,000 grt which, given the average of less than 300 grt per vessel, indicates that in fact they have not registered a single vessel above the Category 2 tonnage limitation of 400 grt. They have, however, registered 26 superyachts. It is understood that the BVI has been consciously concentrating on superyachts rather than commercial vessels because problems encountered in recruiting and retaining surveyors led to the MCA placing restrictions on the registration of commercial ships and they do not have a cluster of maritime related companies such as the Isle of Man has or the strong financial sector that Bermuda has that may attract conventional ship owners.

Although not a REG flag state, Malta has had considerable success in growing its registry, which is now the seventh largest. It has very strong support from Greek owners as well as German and Turkish owners. Besides the usual offerings of an open registry, Malta offers registration and tonnage tax advantages for younger vessels and is known to operate an efficient registry service. To further enhance its appeal as a flag state, Malta is looking to grow the ship management businesses operating from the island, following the example of Cyprus which has been very successful in this respect and where the strength of the industry is such that it has a major influence on Cyprus's maritime industry policy.

The competition facing Jersey as a Category 1 flag state will be substantial and even to achieve 0.25% of the world deadweight tonnage registered will require probably some 200 vessels totaling more than 3 million tons dwt. A substantial marketing effort will be required over at least the first three years following Jersey's decision to apply to upgrade to Category 1. Flag states, such as Jamaica and the BVI, that has failed to secure an ongoing flow of vessels to the register can fall foul of the "*there must be something wrong with them*" syndrome.

2) Registry – Category 1

Definition and status

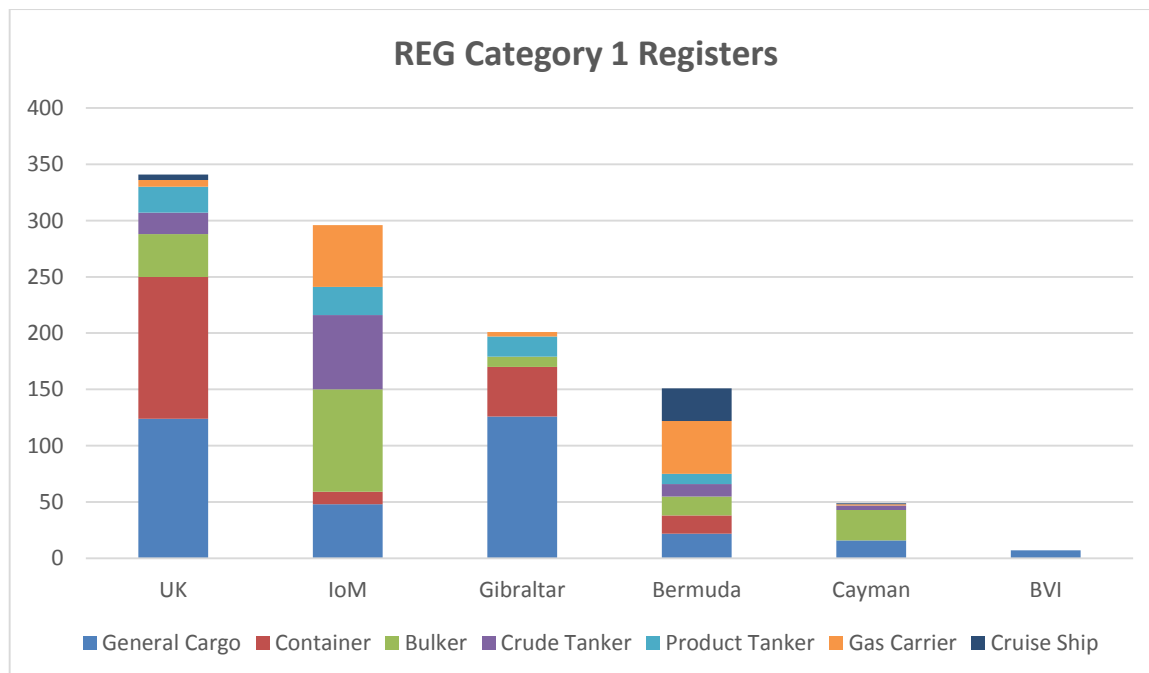
Red Ensign Group (REG) Category 1 status enables the flag states to register vessels of any size and type. There are five Category 1 states in addition to the UK:

- Bermuda
- British Virgin Islands (BVI)
- Cayman Islands
- Gibraltar
- Isle of Man

The BVI was the last flag state to upgrade from Category 2 to Category 1 stage 1, achieving the change after a five year transition period in 2007.

The UK plus the other 5 Category 1 ship registries account for some 50.1 million GT, making them collectively the 7th largest registry group in the world. The number of vessels in each REG registry is summarised in Figure 3, which does not include yachts.

Figure 3. Red Ensign Group Category 1 Registers (number of vessels)



Source: IHS Fairplay

Essential requirements

The decision to prepare to advance from Category 2 to Category 1 can only be made by the Category 2 state itself and that decision will be dependent on a number of factors, not least the assessment of the additional cost to the state of administering a Category 1 ship registry with all the flag state responsibilities. In the early years after advancement to Category 1 it is unlikely that the ship registry will be able to secure a large enough registered fleet to offset the costs associated with running the Category 1 registry. A number of Category 1 states, including the Isle of Man and Bermuda, have benefited from the contribution made to the state's Gross Value Added (GVA) by attracting maritime related activities, such as ship management and broking, crewing management, marine insurance etc.

Elevation from Category 2 to Category 1 can only be authorised by the MCA which will require being satisfied that:-

- a) The necessary domestic legislation is in force to authorise the registration of vessels of any size and to give recognition to the IMO and ILO conventions that have been ratified by the UK.
- b) The Jersey Ship Registry is organised in such a way as to enable it to provide registration services in a prompt and efficient manner.
- c) That the Jersey Ship Registry has amongst its permanent staff three surveyors that have the necessary competence and qualifications not only in respect of hull, engine and deck surveys but also in respect of the various IMO/ILO conventions that the surveyor will ensure are being adhered to. For yacht surveys an experienced yacht surveyor is required but, until the number of vessels justifies it, this surveyor could be contracted out to a third party.
- d) The Registry has the expertise to carry out marine casualty investigations. Subject to MCA approval this resource could be contracted out to an independent investigator. The UK Marine Accident Investigation Bureau (MAIB) will not undertake investigations on behalf of Category 1 registries although they will undertake their own investigation in respect of accidents occurring in UK waters. Domestic legislation must be in place to cover such investigations.
- e) An in house quality management scheme is in place leading to ISO9000/1 accreditation.
- f) The necessary Recognised Organisations (RO) have been appointed.

The MCA will carry out audits of a flag state progressing towards Category 1, culminating in a formal audit before final approval is given.

According to the MCA's experience with other REG states wishing to advance to Category 1, the timing is largely dictated by the time necessary for the drafting and passing of the necessary state legislation. Once a reasonable legislative timetable can be finalised, the programme for other requirements such as employment and training of the Registrar and surveyors, installation of the necessary computer programs, appointment of Recognised Organisations etc. can be drawn up leading to the MCA formal inspection and audit prior to their official approval of the advancement.

The MCA acts as a regulator for REG Category 1 and 2 flag states. In that role it will advise Jersey as to their progress towards Category 1. MCA also has the duty to uphold the highest quality of the REG and if it is felt that a registry is aiming to register a type of ship for which it does not have the necessary expertise or if it considers that the registry is taking on more ships the resources can reasonably handle, but the MCA will not hesitate in advising the registry against trying to secure a certain type of ship or in urging the registry not to increase its registered fleet until the necessary extra resources are available.

The MCA is very concerned to uphold quality. The failure of one REG member to do likewise can have a bad reputational effect on the REG as a whole and therefore on the reputation of the Red Ensign as a whole.

The IMO have recently adopted an Assembly Resolution "IMO Instruments Implementation Code" which sets out in detail what is expected of flag states in respect of:-

- Implementation
- Delegation of Authority
- Enforcement
- Flag State surveyors
- Flag State investigations
- Evaluation and Review

This Code will assist Jersey in the preparation of advancement from Category 2 to Category 1.

Domestic legislation

The domestic legislation currently in place has elements of that required for a Category 1 Register but in the analysis undertaken in Annex 3 by Holman Fenwick Willan LLP it is clear that additional legislation will need to be introduced whilst some of the existing can be amendment. There are two approaches toward adapting the legislation to meet the requirements of a Category 1 Ship Register in a manner that will best protect Jersey's reputation, being either to undertake the same method as the British Virgin Islands and simply adopt the UK legislation in full, or to take the Cayman Island approach and interpret each law autonomously before implementation.

It is recommend that Jersey combines both approaches, adopting in full where necessary and adapting others to reflect the best interests of the Island. This will allow for more efficient implantation without compromising on suitability.

Organisation

The identity of the body charged with the registration of vessels is important as it must be immediately recognisable as to both 'nationality' and function.

The Jersey Ship Registry is immediately identifiable with Jersey and clearly states the function of the organisation, namely the registry of ships. The present name, the British Register of Ships in Jersey, could give an impression that the Jersey registry office is a branch office of the British flag registry, which of course it is not.

As a Category 2 registry the business is small enough to be run as part of another function. However, with the upgrading to Category 1 status the Jersey Ship Registry should be clearly identified as a stand-alone organisation with its own budget but with a direct reporting line to a Government Minister. This could either be as an agency of the Government, such as the MCA, or it could be a company wholly owned by the Government. All of the other REG Category 1 registries operate as an agency of the government or as an integral part of a government department. There are a number of ship registries that have contracted the running of the registry to third parties. The Liberia Ship Registry is managed and run entirely from the USA with only a 'brass plate' office in Monrovia. Similarly the Marshall Islands Registry is managed and run by a US corporation. Of the smaller ship registries, Vanuatu is managed by Vanuatu Maritime Services based in New York whilst the Palau International Ship Registry is operated by a US company based in Houston.

None of these four states can be regarded as traditional shipping nations and their ship registries were originally established as open registries by commercial organisations obviously looking to make a profit and which pay a 'royalty' to the flag state which has little or no control over the activities of the ship registry.

The present organisation in Jersey, in which the Registrar of Ships comes under the Minister for Economic Affairs, need not change but staff working for the Jersey Ship Registry should not have other job functions not directly related to the Ship Registry.

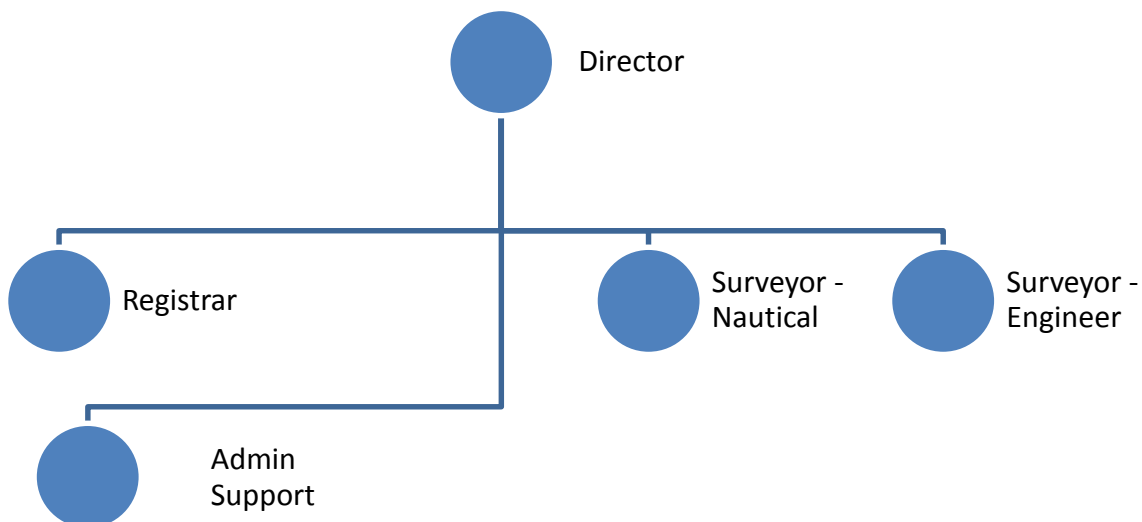
With internet based communication now being so important, the Jersey Ship Registry must have its own website, distinct from any other government department or agency, to which anybody seeking information about ship registration, maritime law, international conventions applicable to Jersey registered ships and advice to ship owners etc. is all gathered on the one site. There should not be any links to other websites to find any of this information, the easy availability of which should be seen as essential. The website can only assist, not replace, an in-house marketing function.

There must be a full time senior executive with extensive experience of ship registry in charge of the Registry with the title of Director. In the early days the Director will:-

- finalise the organisation chart and job descriptions
- prepare budgets
- hire staff
- supervise and arrange necessary training
- ensure the completion of necessary law drafting
- ensure the implementation of the website
- identify potential clients
- carry out client contact and public relations exercises
- liaise with the MCA

He/she will also have an important role in training other staff and ensuring that they undertake suitable training courses in respect of the technical aspects required under international conventions.

The minimum organisation chart when the Category 1 Ship Registry commences operation will likely be (subject to MCA approval) as follows:



The Admin Assistant would be expected to also understudy the Registrar's role in order to stand in during any absence.

In discussion with the MCA it may be agreed that the second and third surveyor, which the MCA is likely to require, may be employed on a contract basis but not resident in Jersey. All staff would be expected to be involved in the 'sales' process both in a proactive and reactive role. It would be expected that in the early days the Registry would 'buy in' HR, accounting, IT and legal services as required.

Clearly as the size of the Registry grows, additional staff will be required. A trainee surveyor should be engaged at an early stage as well as a legislative assistant whose primary role would be to keep track of developments and requirements under IMO and ILO conventions so that necessary advice can be given to ship owners and to ensure that any legal delegations from the UK are incorporated into Jersey law promptly. In order to watch market developments, identify potential new clients, draw up marketing plans and budgets, some of which may initially be done by the Admin Assistant, a full time marketing person will be necessary within the first year.

It may be unlikely that all the necessary staff can be sourced from Jersey. Salaries and staff will need to be carefully considered. There is a shortage of suitably skilled surveyors in the UK, brought about by the contraction over the last two decades of the British merchant fleet and the reduction in the number of people going to sea to gain the necessary experience with which to go on to become a surveyor. British surveyors are considered to be amongst the best and therefore are in demand not only by ship registries but also by classification societies and marine administrations.

The role of the surveyors is important. Not only would they undertake surveys of ships, whether in Jersey or elsewhere, they would also be an owner's first point of contact within the Ship Registry for all technical enquiries and in respect of technical compliance with international conventions.

However, it would be impractical for the surveyors to undertake all ship surveys of Jersey flag vessels wherever they may be. Not even the largest ship registries have their own surveyors in every major port. The international conventions concerned recognise this and provide for flag states to be able to delegate surveys to "Recognised Organisations" (RO) but such Recognised Organisations must be audited at intervals by the flag state and there must be an agreement in place between the flag state and the RO.

Effectively some 95% of the world's commercial ships, and many superyachts, are built to specifications approved by one of the Classification Societies which classes each individual vessel according to its construction. Classification Societies require that class surveys are carried out at regular intervals and they employ suitably qualified surveyors on a worldwide basis to carry out these surveys.

All flag states make greater or lesser use of Classification Society surveyors to carry out flag state surveys and surveys to ensure conformity with international conventions. There are 13 classification societies that make up the International Association of Classification Societies (IACS), each of which maintains certain standards and technical competence and has agreed to a set of common standards and principles as well as a code of ethics. All ship registries have agreements with all or some IACS members in respect of the delegation of survey work.

The members of IACS are:

- ABS - American Bureau of Shipping
- BV - Bureau Veritas
- CCS - China Classification Society
- CRS - Croatia Register of Shipping
- DNV - Det Norske Veritas
- GL - Germanischer Lloyd
- IRS - Indian Register of Shipping
- KR - Korea Register of Shipping
- LR - Lloyds Register
- NK - Nippon Kaiji Kyokai
- PRS - Polish Register of Shipping
- RINA - Registro Italiano Navale
- RS - Russian Maritime Register of Shipping

It should be noted that DNV and GL have recently merged into a single organisation to be known as DNV GL.

All IACS members have recently agreed a single set of standards for vessel construction which will greatly simplify the work of ship builders and flag states, because all parties will be working to the same standards, although individual flag states retain the right to require certain standards of no less a quality and specification than the IACS standards.

International conventions, including SOLAS, SCTW, MARPOL and MLC require the regular issue of certificates for which surveys are done in addition to which there are requirements for annual surveys and all these surveys can be done by Recognised Organisations.

The REG Category 1 members, however, have agreed that certain audits and inspections will only be done by their own surveyors. Because there are certain inspections that occurs every 2 and half years, it does mean that a ship registry surveyor will visit each of the flag state's ships at least once in 2 and half years thus ensuring that the flag state can form first hand an opinion on the condition of the ship and compliance with relevant conventions.

Surveyors employed by the Jersey Ship Registry may need specific training in order to carry out certain surveys and inspections but approved training courses are readily available.

It should be noted that Classification Society surveyors and many independent ship surveyors will not be experienced in the survey of yachts. The Large Commercial Yacht Code, LY2, was introduced by the MCA in 2004 and revised by LY2 Edition 2 in 2007. All commercial yachts of 24 metres and over on load line length carrying less than 12 passengers must comply with LY2 which has now been accepted by the major flag states that register yachts. In order to keep up with developments in the industry, LY3 has now been issued and in due course will replace LY2 but in the meantime it may be used on a voluntary basis as an equivalent provision under regulation 6 of the Merchant Shipping (Vessels in commercial use for sport or pleasure) Regulations 1998.

Yacht surveyors must, of course, be totally familiar with LY2 and LY3.

Part C

Ship registry development

Present status

Jersey is presently a REG Category 2 registry permitted to register commercial vessels and pleasure craft up to 400 gross tons (gt). The increased authority from the MCA to register commercial vessels in excess of 150 gt up to 400 gt was confirmed in an MOU dated 26th November 2013.

Total no. of vessels registered as at 31.12.13	2,097
Total no. of vessels registered as at 31.12.12	2,126
Reduction in total registered	-129
New vessels registered in 2013	140
Of which total under 24m	111
Total over 24m	18
Fishing vessels as at 31.12.13	166
Fishing vessels as at 31.12.12	103
Increase in number registered	63
Small Ships Register as at 31.12.13	1,049

The Small Ships Register is also maintained for vessels under 24 metres owned by an individual or individuals resident in Jersey. Registration does not provide proof of ownership and a marine mortgage cannot be registered.

Finalisation of Category 2 development with increase to 400 gt

An MOU between Jersey and the MCA was signed on 26th November 2013 giving Jersey the authority to register both commercial and pleasure vessels up to 400 gt.

Promotion of vessel registration within 400 gt restriction.

A ship under 400 gt is quite small! The number and tonnage of commercial vessels flying the flags of the UK and some other North Europe states is shown:

Commercial vessels <400 GRT	
United Kingdom	868
France	552
Netherlands	364
Germany	293
Belgium	116
Total:	2,193

Commercial vessels <400 GRT ('000 GRT)	
United Kingdom	172
France	108
Netherlands	78
Germany	60
Belgium	28
Total:	447

Source: IHS Fairplay

With an overall average tonnage of 204 GRT, these vessels will be offshore oil, gas and wind farm support vessels, river and harbour boats, pilot boats and other service

With an overall average tonnage of 204 GRT, these vessels will be off shore oil, gas and wind farm support vessels, river and harbour boats, pilot boats and other service vessels. Whilst it is perhaps unlikely that river and harbour boats would be flagged out, off shore vessels are operating in an international market. Research would reveal the corporate owners of such vessels for approaches to be made to acquaint them with the benefits of registering with the Jersey flag.

A yacht or pleasure craft of less than 400 gt is not large. A recently delivered 86 metre superyacht is 2,750 gt. Gross tonnage is a function of the volume of all the vessel's enclosed spaces. The modern design of many sailing superyachts with the maximum beam well aft of the beam (the mid-point of the length) and of motor superyachts using lightweight materials such as aluminium or carbon, the internal volumes can be maximised but this creates a high gross tonnage. The primary use of the yacht's gross tonnage is in the determination of manning, safety and other statutory requirements as well as the calculation of registry and survey fees. Berthing and mooring fees are normally calculated according to length.

Yachts below 400 gt are at the lower end of the superyacht range but there is certainly a potential market for the registry of both sailing yachts and motor yachts. Marketing to designers, builders, yacht managers and yacht brokers will be required in order to 'get the message across' to ensure that the owner is made aware of the benefits and strengths of the Jersey flag.

⁸ GRT – Gross Registered Tonnage.

It should be noted that with the enforcement of the International Convention on Tonnage Measurement of Ships 1969, GRT was superseded by Gross Tonnage (GT). Whilst not exactly the same, both are measurements of volume of some or all of a ship's enclosed spaces.

A marketing message that Jersey could adopt is that as a Category 2 register limited to 400 gt, considerable expertise has been built up in respect of these smaller vessels thus enabling the Registry to provide a level of service that perhaps Category 1 and other registers would not provide as they would be concentrating on increasing their registered tonnage by seeking larger ships and superyachts rather than 'the small fry'.

Some builders of yachts up to 40 metres, likely to be the target for Category 2 registration, are:

Sunseeker, UK	Azmut, Italy	Baltic Yachts, Finland
Princess, UK	Techomar, Italy	CMN Yachts, France
Spirit Yachts, UK	Benettis, Italy	Dutch Yacht
Oyster Yachts, UK	Overmarine, Italy	Ferretti, Italy
Discovery Yachts, UK	San Lorenzo, Italy	

In the early days after becoming a Category 1 registry, Jersey will not have the resources or experience to enable them to implement a wide ranging marketing plan aimed at securing the registry of a wide range of ship types and yacht sizes.

In respect of ships, Jersey must decide which types of ship they will wish to attract and what size of yachts.

Consideration might be given to the initial targets being:

1. Off shore support vessels
2. General cargo, primarily break bulk, ships
3. Container ships
4. Yachts, either sailing or motor, up to 40 metres, pleasure or commercial.

These four categories of ship are relatively straightforward; they are not subject to special SOLAS provisions. An age limit of 20 years should be rigidly enforced and all vessels over 15 years should be subject to a staff surveyor's inspection before registry is confirmed. In all cases the PSC record must be closely scrutinised.

The proposed restriction of 40 metres on the size of yacht accepted would enable Jersey to build up experience and reputation in this size category which could be attractive to other owners who may find that other registries are primarily interested in the larger and more glamorous, yachts.

Progress to Category 1

1) MCA requirements

As the overriding authority in respect of the Red Ensign Group, the MCA has specific standards that must be met before Category 1 can be achieved. These standards concern organisation, procedures and technical aspects.

More detail of the MCA's requirements for Category 1 approval are set out in the section "Registry – Category 1 under the heading *Essential Requirements*" above. Full use should be made of the MCA's advisory role in the establishment of Category 1.

2) Identification of target ship types and market

There are two distinct markets at which the Jersey Ship Registry would be targeting.

The commercial ship market includes all types of commercially operated ships. However, some ship types are technically very sophisticated requiring particular expertise in construction and surveying. Furthermore some of these types of ships have suffered accidents which have resulted in adverse publicity not only for the owners but also for the flag state. Jersey certainly does not want this as it builds the size and scope of the registry. The Jersey Ship Registry may take some years to reach the point that it has the necessary staff and experience to handle all types of ship and therefore it would be suggested that in the initial period a cautious approach is taken concerning the acceptance for registration of certain types. A final decision as to the types that will not be accepted in the initial period should depend to some extent on the experience of the surveyors employed. However it is suggested that the following ship types should not be considered until a full evaluation has been made of the in house knowledge and convention stipulations in order to ensure that the registry is ready to provide both the technical advice and practical surveying knowledge that is required.

Note: *The descriptions are taken from the IHS Fairplay list of Ship Type Aggregations (Annex 2)*

1) Specialized cargo ships:

- Barge carriers
- Heavy Load carriers
- Livestock carriers
- Nuclear Fuel Carriers

2) Bulk carriers:

- Bulk Dry Storage ship
- Bulk/oil carrier
- Cement carrier
- Limestone carrier
- Ore oil carrier
- Powder carrier
- Refined sugar carrier
- Wood chips carrier

3) Oil and chemical carriers:

- Chemical tanker
- Chemical/Oil Products tanker
- Oil Products tanker

4) Offshore vessels and service vessels:

There are 35 separate vessel types included in these aggregations, all of a specialised type. However some of these, such as Offshore Supply, Offshore Support, Patrol, Pilot and Utility vessels may be suitable for registration without specialist skills within the Registry.

5) Other:

There are 20 vessel types, including those related to the fishing industry. Some, such as 'Sailing Vessel' and 'Sail Training Ship' may be acceptable.

Many ship registries will not accept vessels over 20 years old on first registration. It is suggested that the Jersey Ship Registry should take a strong position in this respect as it is known that certain other ship registries that have taken a flexible approach have found themselves receiving numerous requests for registration of old vessels, many of which have not been in good condition.

It should be noted that when a vessel is being sold and simultaneously changing flag, it is usually not possible for the incoming flag state to undertake a survey of the ship before the change of flag takes place. The time of sale and change of flag are usually synonymous. If the new flag state has any doubt about the condition of the vessel they should insist that registration on sale is temporary for the period of time necessary to undertake the survey and assess the results.

If a request for registration is received in respect of a ship that has been flying another flag, a note of caution should be sounded if that flag state appears on the Black or Grey lists of any of the major Port State Control groups as these lists are indicative that too many ships flying the particular flag have failed Port State Control inspections.

It is unlikely that an owner with ships already registered in one Category 1 flag state would change registry to another Category 1 state, except in particular circumstances. (Recently two gas carriers were transferred from the Bermuda registry to the UK registry because the owner considered that the UK had greater expertise in respect of the very technical type of vessel).

The potential market for Category 1 ship registration is worldwide. As shown in Annex, 1 the vast majority of ships are flagged offshore. In numbers the Greeks are the largest block of owners with some 690 ship owners but just 10% of these companies own 75% of the ships. Although they have had a presence in London since the mid 19th Century, it was after WWII and the re-birth of Greek shipping that saw many owners setting up in London and by the 1990s it was estimated that more than 50% of the Greek owned fleet was controlled in London. However, tax changes in the UK, coinciding with a very much more business friendly environment in Greece, resulted in the control of many Greek shipping companies moving back to Greece in the early 2000s. Greece's recent economic and social problems have again resulted in the exodus of Greek owners, some to London, some to New York, Cyprus and Malta. Simply because of the size of the Greek owned fleet, it must be a target for any ship registry. In London the Greek Shipping Co-operation Committee is the equivalent of the London Greek ship owners' association.

Apart from the Greeks, it is the Asian ship owners that are prominent in almost all ship types but there are still substantial ship owners in Scandinavia and Germany. In the early stages of Jersey promoting Category 1 ship registry, European owners should be primary targets. Germany, in particular, has many single or two vessel ship owners. Antigua & Barbuda have been singularly successful in registering small, less than 1500 TEU, German owned container ships used on short sea and feeder services. This success has resulted from the very close relationship built up over the years between the Antigua & Barbuda representative in Germany and the small ship owners and illustrates the importance of the personal relationship between the ship owner and the Registrar or his representative.

The importance of the Asian market cannot be over emphasised. Over 400,000,000 dwt of Asian owned tonnage is foreign flagged, coming close to the total for the rest of the world. However some 30% of Asian owned tonnage is under national flags whereas for the rest of the world it is only 25%. 35% of the Isle of Man's registered tonnage is Asian owned. For the Marshall Islands it is 20%, Panama 50% and even Vanuatu 20%. Success in Asia demands representative offices and/or representatives in the major shipping centres including Singapore, Hong Kong, Shanghai and Tokyo.

Having superyachts on a register does not necessarily attract commercial ships, or indeed vice versa as the rationale behind the choice of flag is usually very different.

Looking Ahead

Where Jersey could succeed is in its ability to offer a complete package to the owner which may include:

- Wealth management
- No corporation or tonnage tax
- An efficient and cost competitive owning or managing company formation system
- An efficient and cost competitive registration system
- Yacht management on behalf of the owner including technical coding and compliance
- Crew recruitment and management
- Technical assistance to the owner and Captain in respect of convention and legal requirements as well as EU matters including temporary import
- The attraction of the Red Ensign Group and protection offered under the Red Ensign

Whilst it will be discussed in detail under **Phase 3 Marketing**, a concerted effort will be needed in the early years in order to spread the name and benefits of the Jersey Ship Registry. Attendance at major shipping conferences and yacht shows will be required and any opportunity of a speaking engagement in front of an audience concerned with ship or yacht ownership and management should be seized upon.

3) The Maritime cluster

Jersey is already the base for a range of activities associated with the maritime industry including:

- Corporate and trust management
- Legal and professional advisers
- Wealth management
- Ship and Yacht surveys
- Yacht management
- Yacht broking
- Marine consultants

- Ship agency
- Port and marina activities
- Boat repairs
- Marine tourism

The elevation of Jersey to a Category 1 registry lends the right opportunity for the promotion of Jersey as a centre of excellence for maritime activities. Besides expansion of present businesses; new opportunities may be available in:-

- Ship management
- Crewing agency
- Ship broking
- Marine security management

It is recognised that to achieve Category 1 status will require financial investment and a considerable lead time which aspects will be expanded upon in a later phase of the project.

4) Financial resources and costs

In advancement of the study undertaken by the Fisher Report in 2008, it is estimated that the associated additional costs with maintaining a REG category 1 register can be broken down into six core areas:

- Staff
- Housing
- Technical
- Work area
- Marketing
- Incident Investigation

Staffing: The list below is under the assumption that the current deputy Registrar will become the lead Registrar with support by an assistant registrar:-

- Registry Director
- Registrar and Administrative Support – £60,000 per annum
- Three qualified vessel surveyors - £180,000 per annum

Housing: It is likely that one or more of the surveyor roles will be filled by a professional from overseas; in which case an attractive package will need to be offered to encourage the relocation to Jersey. The issues to consider are:

- J Category Licence
- Housing costs
- Any schooling requirements

Technical: The current technical support (telephone, computer, electronic filing, servers, establishing separate website, and any associated service software) would need to be improved to cope with the additional resulting traffic. Enhancing the website to give a superior client interface would be essential to avoid being seen as inefficient and this would need to be supported by systems capable of delivering 'on-demand' service.

Work area: The Registry will require floor space and furniture to accommodate both the initial and additional staff and also others employed as the Registry grows. The current rental price for office space is between £25-30 per square feet per year in St. Helier. An initial budget figure to include rent and office expenses of £30,000 should be allowed.

Marketing: Marketing will play an essential role in the expansion of the Registry and this will include the attendance at international boat/yacht shows, shipping exhibitions, seminars and conferences, service provider seminars, brochures and any other means of getting Jersey into the international market place. As previously mentioned a key part of development is shaking off the preconceptions that the jurisdiction is still in REG category 2 and maintaining the market presence thereafter. A budget cost in the early years of £80,000 should be allowed.

Part D – Appropriate flagging-in matrix for Category 1

A proposed Flagging in Matrix was prepared by the Registrar in October 2013, see Annex 4 attached. This matrix covers a wide range of vessels including under 24 metre pleasure and commercial vessels, yachts of all sizes, cargo ships, passenger vessels carrying more than 12 passengers and special purpose ships. The only vessels that would not be accepted for flagging-in are cargo vessels for which there are special SOLAS provisions.

The matrix also implies that cargo and passenger vessels over 10 years old would not be accepted.

Whilst the matrix provides for the flagging-in of a very high percentage of vessels that are likely to be offered, it should not be assumed that the Jersey Registry would immediately market itself on such a 'broad brush' basis as it is suggested that it is essential to ensure that there are in place the necessary technical knowledge and surveying skills to provide the highest level of service for vessels accepted for flagging-in. In the early stages of the development of the Category 1 registry this may restrict the type of vessel accepted. Elsewhere in this report it is suggested that initially Jersey should concentrate on general cargo vessels and container ships as well as yachts up to 40 metres in length.

Appendix 1

The 35 flag states with the largest registered fleet as at 01/01/13

Country or territory of ownership ^a	National flag	Foreign and internat. flag ^b	Total	National flag ^c	Foreign international flag ^b	Total	Foreign and international flag as a percentage of total ^b	Total as a percentage of world
Greece	825	2 870	3 695	69 644 624	175 205 954	244 850 578	71.56	15.17
Japan	738	3 253	3 991	17 216 128	206 598 880	223 815 008	92.31	13.87
China	2 665	2 648	5 313	66 936 002	123 142 833	190 078 835	64.79	11.78
Germany	396	3 437	3 833	16 641 757	109 136 771	125 778 528	86.77	7.79
Republic of Korea	764	812	1 576	16 624 445	58 471 361	75 095 806	77.86	4.65
Singapore	1 090	798	1 888	32 711 136	31 441 668	64 152 804	49.01	3.98
United States	768	1 175	1 943	8 671 669	49 606 395	58 278 064	85.12	3.61
United Kingdom	415	822	1 237	10 447 630	39 857 066	50 304 696	79.23	3.12
Norway	414	1 494	1 908	2 190 036	43 802 209	45 992 245	95.24	2.85
Taiwan Province of China	102	712	814	3 311 133	40 948 712	44 259 845	92.52	2.74
Denmark	45	946	991	68 724	40 646 119	40 714 843	99.83	2.52
Bermuda	4	206	210	209 778	32 686 529	32 896 307	99.36	2.04
Turkey	645	935	1 580	9 619 689	19 470 911	29 090 600	66.93	1.80
Italy	673	211	884	19 097 635	6 245 330	25 342 964	24.64	1.57
Hong Kong (China)	269	297	566	15 768 670	8 556 599	24 325 269	35.18	1.51
India	584	158	742	15 063 983	7 377 303	22 441 287	32.87	1.39
United Arab Emirates	82	617	699	700 914	18 772 655	19 473 569	96.40	1.21
Russian Federation	1 195	532	1 727	5 495 653	13 888 598	19 384 251	71.65	1.20
Malaysia	472	142	614	9 520 599	7 593 951	17 114 550	44.37	1.06
Netherlands	757	450	1 207	6 100 843	10 571 723	16 672 566	63.41	1.03
Brazil	202	108	310	2 837 889	13 314 666	16 152 555	82.43	1.00
Switzerland	39	291	330	1 144 359	14 506 537	15 650 896	92.69	0.97
Islamic Republic of Iran	108	121	229	1 748 219	13 568 542	15 316 761	88.59	0.95
Indonesia	1 383	147	1 530	11 910 441	3 390 980	15 301 421	22.16	0.95
Cyprus	183	192	375	6 178 327	7 745 606	13 923 933	55.63	0.86
France	179	230	409	3 862 058	7 144 805	11 006 863	64.91	0.68
Canada	206	145	351	2 650 551	6 571 778	9 222 329	71.26	0.57
Monaco		126	126		9 157 769	9 157 769	100.00	0.57
Belgium	90	155	245	4 008 509	4 720 024	8 728 533	54.08	0.54
Viet Nam	758	83	841	6 422 675	1 540 097	7 962 772	19.34	0.49
Saudi Arabia	62	125	187	1 036 358	6 771 973	7 808 332	86.73	0.48
Kuwait	40	36	76	4 037 837	2 862 528	6 900 365	41.48	0.43
Sweden	114	225	339	1 323 946	5 120 753	6 444 699	79.46	0.40
Oman	3	31	34	5 332	6 133 802	6 139 134	99.91	0.38
Thailand	336	79	415	4 444 401	1 652 413	6 096 814	27.10	0.38
Total top 35 countries	16 606	24 609	41 215	377 651 950	1 148 223 839	1 525 875 789	75.25	94.55
Other owners	2 655	2 522	5 177	29 703 524	52 879 452	82 582 976	64.03	5.12
Total of known country of ownership	19 261	27 131	46 392	407 355 474	1 201 103 291	1 608 458 765	74.67	99.67
Others, unknown country of ownership			730			5 297 140		0.33
World total			47 122			1 613 755 905		100

Source: Compiled by the UNCTAD secretariat, on the basis of data supplied by Clarkson Research Services.

Note: Vessels of 1,000 GT and above, ranked by deadweight tonnage.

^a The country of ownership indicates where the true controlling interest (that is, the parent company) of the fleet is located. In several cases, determining this has required making certain judgments. Thus, for instance, Greece is shown as the country of ownership for vessels owned by a Greek national with representative offices in New York, London and Piraeus, although the owner may be domiciled in the United States.

^b "Foreign and international flag" in this table includes vessels registered in second/international registers such as the Danish or Norwegian International Ship Registers (DIS or NIS respectively).

Appendix 2

Vessel type aggregations

The 13th category “Other” is not considered in the scope of these statistics and only given for information; it contains active ships not falling into one of the 12 main categories. Modifications since last year are marked in bold.

General Cargo Ships	Gas Tankers	Service Ships
Deck Cargo Ship	CO2 Tanker	Buoy/Lighthouse Vessel
General Cargo Ship	LNG Tanker	Cable-Layer
Palletized Cargo Ship	LPG Tanker	Crane Ship Dredger
Passenger/General Cargo Ship		Fire-Fighting Vessel
Refrigerated Cargo Ship	Other Tankers	Hopper Dredger
	Asphalt/Bitumen Tanker	Hospital Vessel
Specialized Cargo Ships	Bunkering Tanker	Icebreaker
Barge Carrier	Caprolactam Tanker	Kelp Dredger
Heavy Load Carrier	Edible Oil Tanker	Patrol Vessel
Livestock Carrier	Fruit Juice Tanker	Pilot Vessel
Nuclear Fuel Carrier	Latex Tanker	Pollution Control Vessel
	Molasses Tanker	Power Station Vessel
Container Ships	Oil-Sludge Tanker	Research Vessel
Container Ship	Vegetable Oil Tanker	Salvage Ship
Passenger/Container Ship	Water Tanker	Search & Rescue Vessel
	Wine Tanker	Tank-Cleaning Vessel
Ro-Ro Cargo Ships		Training Ship
Container Ro-Ro Cargo Ship	Passenger Ships	Trans-Shipment Vessel
Ro-Ro Cargo Ship	Accom. Offshore Supp. Vessel	Utility Vessel
Vehicle Carrier	Passenger (Cruise) Ship	Waste Disposal Vessel
	Passenger Ship	Work/Repair Vessel
Bulk Carriers	Passenger/Landing Craft	
Aggregates Carrier	Passenger/Ro-Ro Cargo Ship	Other (Out of the scope)
Bulk Carrier		Anchor Hoy
Bulk Dry Storage Ship	Offshore Vessels	Coal/Oil Mixture Tanker
Bulk/Oil Carrier	Drilling Ship	Crewboat
Cement Carrier	FSO, Oil	Exhibition Vessel
Limestone Carrier	Mining Vessel	Fish Carrier
Ore Carrier	Offshore Processing Ship	Fish Factory Ship
Ore/Oil Carrier	Offshore Supply Ship	Fishing Support
Powder Carrier	Offshore Support Vessel	Vessel Fishing
Refined Sugar Carrier	Offshore Tug/Supply Ship	Vessel

Self-Discharging Bulk Carrier	Pipe Burying Vessel	Landing Craft
Wood Chips Carrier	Pipe-Layer	Launch (unspecified)
	Production Testing Vessel	Live-Fish Carrier
Oil and Chemical Tankers	Standby-Safety Vessel	Mooring Vessel
Chemical Tanker	Supply vessel	Motor Hopper
Chemical/Oil Products Tanker	Well-Stimulation Vessel	Pearl Shells Carrier
Crude Oil Tanker		Sail Training Ship
Oil Products Tanker	Tugs	Sailing Vessel
	Pusher Tug	Seal-Catcher
	Tug	Trenching Support
		Vessel
		Unknown
		Urea carrier
		Vessel (function unknown)
		Whale-Catcher

Appendix 3

Jersey Ship Register High-Level Gap Analysis of Shipping Legislation - comparison with IMO and UK shipping requirements

NB. Modifications, partial ratifications or specific amendment at the national level are not detailed at this stage.

UK Merchant Shipping Act 1995 = MSA

Short Name	Full Name of IMO/ILO/UN Convention	Main piece of UK legislation/regulations giving effect?	Implemented (whole or part) in the States of Jersey?	Comments
UNCLOS	United Nations Convention on the Law of the Sea 1982	Various sections of MSA 1995	Various sections of Shipping (Jersey) Law 2002 and via UK foreign policy.	
IMO AMENDS -91	1991 amendments to the IMO Convention which were adopted by the Assembly of the Organization on 7 November 1991 by resolution A.724(17) (in force);	Ratified	No specific provisions but likely covered by international obligations and via the UK	
IMO AMENDS -93	1993 amendments to the IMO Convention which were adopted by the Assembly of the Organization on 4 November 1993 by resolution A.735(18) (in force);	Ratified		
SOLAS 1974	International Convention for the Safety of Life at Sea, 1974, as amended (in force);	Via MSA 1995 and various statutory instruments	SOLAS V only partly introduced see s.49 Shipping (Jersey) Law 2002, Shipping (SOLAS) (Jersey) Regulations 2004, States of Jersey (Amendments and Construction Provisions No. 10) (Jersey) Regulations 2005, Shipping (Safety of Navigation) (Jersey) Order 2009, Shipping (Survey and Certification) (Jersey) Order 2013	SOLAS Chapters
SOLAS PROT 1978	Protocol of 1978 relating to the International Convention for the Safety of Life at Sea, 1974, as amended (in force);			I - General provisions
SOLAS PROT 1988	Protocol of 1988 relating to the International Convention for the Safety of Life at Sea, 1974 (in force);			II-1 - Construction Structure, subdivision and stability, machinery and electrical installations
SOLAS AGR 1996	Agreement concerning specific stability requirements for ro-ro passenger ships undertaking regular scheduled international voyages between or to or from designated ports in North West Europe and the Baltic Sea (in force);			II-2 - Construction – Fire (FSS Code and FTP Code)
				III - Life-saving appliances and arrangements (LSA Code)
				IV - Radio communications (GMDSS)
				V - Safety of navigation
				VI - Carriage of cargoes (BC Code; CSS Code; International Grain Code; Timber Deck Cargoes Code)
				VII - Carriage of dangerous goods (IMDG Code; IBC Code; IGC Code; INF Code)
				VIII - Nuclear ships
				IX - Management for the safe operation of ships (ISM Code)
				X - Safety measures for high-speed craft (HSC Code)
				XI-1 - Special measures to enhance maritime safety

				XI-2 - Special measures to enhance maritime security (ISPS Code)
COLREG 1972	Convention on the International Regulations for Preventing Collisions at Sea, 1972, as amended (in force);	MS (Distress Signals and Prevention of Collisions) Regulations 1996, as amended in 2003	YES - Shipping (Distress Signals and Prevention of Collisions) (Jersey) Order 2004	
MARPOL 73/78	Protocol of 1978 relating to the International Convention for the Prevention of Pollution from Ships, 1973, as amended (i.e. <u>Annex I</u> and <u>Annex II</u>)	Annex I - MS (Prevention of Oil Pollution) Regulations 1996; Annex II - MS (Dangerous or Noxious Liquid Substances in Bulk) Regulations 1996	s.90 Shipping (Jersey) Law 2002 and modified as per Shipping (Marpol) (Jersey) Regulations 2012. Also see Shipping (Miscellaneous Provisions No. 2) (Jersey) Order 2012	
MARPOL Annex III	Annex III to MARPOL 73/78 (in force);	MS (Dangerous Goods & Marine Pollutants) Regulations 1997		
MARPOL Annex IV	Annex IV to MARPOL 73/78 (in force);	MS (Prevention of Pollution by Sewage and Garbage from Ships) Regulations 2008	Not implemented (see Reg 4 of Shipping (Marpol) (Jersey) Regulations 2012)	
MARPOL Annex V	Annex V to MARPOL 73/78 (in force);			
MARPOL PROT 1997	Protocol of 1997 to amend the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, as amended (in force); (i.e. Annex IV)	MS (Prevention of Air Pollution From Ships) Regulations 2008		
FAL 1965	Convention on Facilitation of International Maritime Traffic, 1965, as amended (in force);	Various port state regulations	No specific provisions but likely covered by territorial waters and COLREG requirements.	
LL 1966	International Convention on Load Lines, 1966 (in force);	MS (Load Line) Regulations 1998, as amended by the MS (Load Line) (Amendment) Regulations 2000		
LL PROT 1988	Protocol of 1988 relating to the International Convention on Load Lines, 1966 (in force);		Shipping (Landline) (Jersey) Regulations 2004	
TONNAGE 1969	International Convention on Tonnage Measurement of Ships, 1969 (in force);	The Merchant Shipping (Tonnage) Regulations 1997	s.21 Shipping (Jersey) Law 2002 and Shipping (Tonnage) (Jersey) Regulations 2004	

INTERVENTION 1969	International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties, 1969 (in force);	Various Acts and Regulations including the MSA 1995, Marine Safety Act 2003, Merchant Shipping (Prevention of Pollution) (Limits) Regulations 1996	To confirm	
INTERVENTION PROT 1973	Protocol relating to Intervention on the High Seas in Cases of Pollution by Substances other than Oil, 1973, as amended (in force);	Merchant Shipping (Prevention of Pollution: Substances Other than Oil) (Intervention) Order 1997	ss.90-91 Shipping (Jersey) Law 2002	
CLC 1969	International Convention on Civil Liability for Oil Pollution Damage, 1969 (in force);			
CLC PROT 1976	Protocol to the International Convention on Civil Liability for Oil Pollution Damage, 1969 (in force);	Various -see ss 157 (2) & 176(5) MSA 1995, as amended, and orders such as Merchant Shipping (Oil Pollution Compensation Limits) Order 2003	Merchant Shipping (Oil Pollution) (Jersey) Order 1997 and Merchant Shipping (Oil Pollution Compensation Limits) Order 2003	
CLC PROT 1992	Protocol of 1992 to amend the International Convention on Civil Liability for Oil Pollution Damage, 1969 (in force);			
STP 1971	Special Trade Passenger Ships Agreement, 1971 (in force);			
SPACE STP 1973	Protocol on Space Requirements for Special Trade Passenger Ships, 1973 (in force);	Via acts/regulations implementing SOLAS	As per comment on SOLAS above	
NUCLEAR 1971	Convention relating to Civil Liability in the Field of Maritime Carriage of Nuclear Material, 1971 (in force);	Various regulations and IMDG	N/A	
FUND PROT 1992	Protocol of 1992 to amend the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1971 (in force);	Various - see MSA 1995 and Merchant Shipping (Pollution) Act 2006	See Merchant Shipping (Oil Pollution) (Jersey) Order 1997 and Merchant Shipping (Oil Pollution Compensation Limits) Order 2003	
FUND PROT 2000	Protocol of 2000 to the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1972 (in force);			

FUND PROT 2003	Protocol of 2003 to the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992 (in force);			
CSC 1972	International Convention for Safe Containers, 1972, as amended (in force);	Various - MS (Carriage of Cargoes) Regulations 1999 / Freight Containers (Safety Convention) Regulations 1984	Health And Safety At Work (Freight Containers Safety Convention) (Jersey) Regulations 1994	
PAL 1974	Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974 (in force);			
PAL PROT 1976	Protocol to the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974 (in force);			
PAL PROT 1990	Protocol of 1990 to amend the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974 (not yet in force);			s. 118 Shipping (Jersey) Law 2002
PAL PROT 2002	Protocol of 2002 to the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974 (not yet in force);			
IMSO C 1976	Convention on the International Mobile Satellite Organization, as amended (in force);	Included via GMDSS amendments to SOLAS	Likely covered via UK obligations	
LLMC 1976	Convention on Limitation of Liability for Maritime Claims, 1976 (in force);	Sch 7 MSA 1995 and orders	ss 119-120 Shipping (Jersey) Law 2002	
LLMC PROT 1996	Protocol of 1996 to amend the Convention on Limitation of Liability for Maritime Claims, 1976 (in force);			

STCW 1978	International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978, as amended (in force);	MS (Training and Certification) Regulations 1997 / MS (Safe Manning, Hours of Work and Watchkeeping) Regulations 1997	Partially see - Shipping (Training, Certification and Manning) (Jersey) Order 2004	
2010 MANILA STCW AMDTS	2010 Manila amendments to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 and the Seafarers' Training, Certification and Watchkeeping (STCW) Code;	MS (Maritime Labour Convention)(Medical Certification) Regulations 2010 / MS (Hours of Work) Regulations 2002	Not implemented	
STCW-F 1995	International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel, 1995 (not yet in force);	Most requirements already in force via existing legislation but additional would be needed to give full effect.	Not implemented	
SAR 1979	International Convention on Maritime Search and Rescue, 1979 (in force);	Via the UK's SAR plan/organisation.	Via the UK's SAR plan/organisation. However, Jersey is within the French SAR region.	
SUA	Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (in force);	Aviation and Maritime Security Act 1990, as amended (see Merchant Shipping and Maritime Security Act 1997)	Maritime Security (Jersey) Order 1996	Note Aviation and Maritime Security Act 1990 s.9 S. 9 extended (with modifications) (Jersey) (1.1.1997) by S.I. 1996/2881, art. 2, Sch. Pts. I, II
SUA PROT	Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf (in force);			
SUA 2005	Protocol of 2005 to the Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (in force 28 July 2010);			
SUA PROT 2005	Protocol of 2005 to the Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf (in force 28 July 2010);	Ratified	No specific provisions per se but see comment above	

COS-SAR 1988	The International COSPAS-SARSAT Programme Agreement (in force);	via SOLAS, GMDSS and SAR plans/implementation	Via UK obligations	
SALVAGE 1989	International Convention on Salvage, 1989 (in force);	s.224 MSA 1995	ss/ 128-129 Shipping (Jersey) Law 2002	
OPRC 1990	International Convention on Oil Pollution Preparedness, Response and Co-operation, 1990, as amended (in force);	s. 128 MSA 1995	s.90 Shipping (Jersey) Law 2002	
OPRC-HNS 2000	Protocol on Preparedness, Response and Co-operation to Pollution Incidents by Hazardous and Noxious Substances, 2000 (in force);	As part of UK contingency planning and EU/ international agreements	Likely covered via UK obligations	
SFV PROT 1993	Torremolinos Protocol of 1993 relating to the Torremolinos International Convention for the Safety of Fishing Vessels, 1977 (not yet in force);	Various EU and MS regulations	Jersey has various regulations in place relating to fishing vessels. Exact requirements to be checked during low level gap analysis.	
HNS 1996	International Convention on Liability and Compensation for Damage in connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996 (not yet in force);	Sch 3 Merchant Shipping and Maritime Security Act 1997 & Sch 5A MSA 1995	S.116 Shipping Jersey (Law) 2002	
HNS PROT 2010	Protocol of 2010 to amend the International Convention on Liability and Compensation for Damage in connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996	Legislation being drafted as of 2012		
BUNKERS 2001	International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (in force);	MS (Oil Pollution) (Bunkers Convention) Regulations 2006	Only applies to vessel over 1000GT therefore not implemented	
AFS 2001	International Convention on the Control of Harmful Antifouling Systems on Ships, 2001 (in force);	MS (Anti-Fouling Systems) Regulations 2009.	Nothing specific but likely to be covered by classification societies	
BWM 2004	International Convention for the Control and Management of Ships'	Not yet in force - MCA currently following IMO guidelines	N/A	

	Ballast Water and Sediments, 2004 (not yet in force);			
LC 1972	Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, 1972, as amended (in force);	See Food and Environment Protection Act 1985 and various regulations including MS (Prevention of Oil Pollution) Regulations 1996 and Merchant Shipping (Prevention of Pollution by Sewage and Garbage from Ships) Regulations 2008	See Food and Environment Protection Act 1985 (Jersey), as amended, and related orders as well as Shipping (Jersey) Law 2002	
LC PROT 1996	1996 Protocol to the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, 1972 (in force);			
NAIROBI WRC 2007	Nairobi International Convention on the Removal of Wrecks, 2007 (not yet in force); and	Wreck Removal Convention Act 2011	N/A	
HONG KONG SRC 2009	Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 (not yet in force).	Not yet in force	N/A	
ILO 178	International Labour Organisation Convention 178	Merchant Shipping (Hours of Work) Regulations 2002 as amended by MLC implementing regulations	Party via STCW implementing measures	
MLC	ILO Maritime Labour Convention	Regulations via ss.85-86 MSA	Not implemented	
LY3	The Large Yacht Code 3	Merchant Shipping (Vessels in Commercial Use for Sport or Pleasure) Regulations 1998 + MSN 1851 (M)	Not implemented but see Shipping (Safety Code – Yachts and Small Ships) (Jersey) Regulations 2013	

*Often different parts of conventions are brought into force by different regulations i.e. containers are addressed in shipping and road haulage regulations.

Appendix 4

Proposed Flag-in Matrix for Category 1

Current Category 2 limit expected to rise to 400gt by end of 2013

Category 1 - No Tonnage Limit

Under Article 12(3)(A) of the Shipping (Jersey) Law 2002, the Registrar shall refuse to register or shall terminate registration of a ship if the Minister directs him to do so.

	Vessel type	Flag-In?	Restrictions	Referral
1	Under 24m pleasure	Yes	None	None
2	Under 24m commercial	Yes	Must be Coded as SCV	Approved CA
4	24m and over, pleasure	Yes	None	None
5	Passenger yacht	Yes	Must be Classed and Coded as PY	Jersey Surveyor & Approved RO
6	24m and over, commercial yacht	Yes	Must be Classed and Coded as LY2 or LY3	Jersey Surveyor & Approved RO
7	24m and over, commercial workboat or cargo vessel	Yes	PSC history and age <ul style="list-style-type: none"> • Refusal likely if detention history or >10 years old 	Jersey Surveyor
8	Passenger vessel >12 passengers	Yes	PSC history and age <ul style="list-style-type: none"> • Refusal likely if detention history or >10 years old 	Registrar
9	Special Purpose Ships	Yes	Must be compliant with IMO Resolution MSC. 266(84) as amended.	Jersey Surveyor
10	Cargo vessels for which there are special SOLAS provisions – e.g. grain vessels, fuel tankers etc.	Refuse	SOLAS Ch VI Carriage of hazardous cargoes; Ch VII Dangerous Goods; Ch VIII Nuclear ships	N/a

MOORE STEPHENS

Phase 2 Report

Phase 2 Income Analysis

Scope of work to be undertaken as agreed

- a) Analyse charges / income of other Category 1 Red Ensign Group Members, identifying their USPs.
- b) Analysis direct income for Jersey arising from agreed Flagging-in Matrix for the registration of Category 1 vessels.
- c) Identify indirect income arising from agreed Flagging-in Matrix for registration of Category 1 vessels, by reviewing Moore Stephens Isle of Man and Bermuda's business models and profitability.
- d) Liaise with local Financial Service businesses in Jersey to determine appetite for business.
- e) Examine staffing structures and additional business opportunities result from new clients / work.
- f) Identify opportunities for business growth and education in relation to a Category 1 registry.
- g) Present findings to Economic Minister to agree inputs into Economic Ministers' financial model. Our assignment **does not** include the preparation of the financial model.

Introduction

This section of the report will analyse the direct and indirect revenues of Jersey as a Category 1 register, identifying the fee structures of other Red Ensign Group Category 1 registries and what best suits Jersey whilst estimating the influx of ships as a result of progression from Category 2.

The direct income analysis will be based solely on the registry and the current figures, revenues and expenditure have been used as a basis for this.

Whilst Jersey's success as an international finance centre depends on its ability to sustain its core offerings, it is important to look outward at other areas for growth, particularly those where the foundations of the infrastructure are already in place. Clients are looking for a "one-stop" jurisdiction and service provider to streamline their business and personal affairs. Jersey's financial services industry has demonstrated an innovative and resilient approach to a fast-changing global economy and the States of Jersey should look to support this through the progression to Category 1 to accompany the recently established Jersey Aircraft Register.

It is clear that Jersey's reputation as an outstanding international finance centre with unrivalled quality will lend great support to Category 1's success, if correctly marketed.

Direct revenues

1) Level of Fees and Charges

The level of fees and charges applied by Jersey as a REG Category 2 Registry are set by the Shipping (Fees) (Jersey) Order 2013. The present fees have been in force since January 2012. There is no annual charge and registration is renewable every 10 years. This makes Jersey by far the cheapest Category 2 registry, equivalent to £33 or £40 per year, as most other Category 2 registries require renewal every 5 years.

Whilst it is not usual practice for Registries to increase their fees and charges annually, or indeed at regular intervals, it is not uncommon for fees to remain unchanged for 5 years or more.

In determining the level of fees and charges for Jersey as a new REG Category 1 flag state, attention must be paid to the level of charges by competing flag states. Whilst the cost of registration as a percentage of the overall running costs of a vessel is small, the level of fees and charges is certainly a factor taken into account in the selection of flag state.

There is a considerable difference between flag states as to the basis of charging. Some use Net Tonnage (NT), some use Gross Tonnage (GT), some charge on a 'per vessel' basis, some charge a lump sum plus a charge per ton basis, some make additional annual charges over and above the registration fee and some do not publish their fees at all but rely on the potential client contacting them. Appendix 1 and 2 set out the Red Ensign Group Category 1 Fees and Charges for Merchant Ships and Yachts, whilst Appendix 3 shows the resulting application of the fees of a selection of flag states to four different types and sizes of merchant ship. Jersey's fees must be competitive but it is not considered that they need to be substantially lower than other flag states.

Jersey's fees and charges structure as a Category 1 flag state should be simple and transparent with full details being published on the web site, making it quite clear what fees and charges are payable on first registration and then annually, and separately, what other fees and charges are levied.

There is a very considerable difference in the number and description of charges made in addition to registration fees. The Cayman Islands list some 70 separate charge items whilst the BVI list about a dozen. Jersey must ensure that it includes all items for which the owner will have to pay.

Marketing considerations will play a major part in the final determination of the level of Category 1 fees and charges that Jersey will make. It should be marketing success that leads to the Jersey Registry achieving satisfactory financial results rather than fixing the level of fees and charges at an over-optimistic level.

Appendix 4 sets out a suggested level of fees to be implemented when Jersey attains REG Category 1 status. This list is not prescriptive; there will be fees for other transactions to be added, related to a Category 1 registry, particularly in respect of survey fees and crew documentation.

2) Number of ships and yachts registered.

The success of the Jersey Ship Registry as a REG Category 1 registry will depend on a number of factors, most of which relate to the marketing effort. For budgeting purposes at this stage it may be that a conservative view is taken in respect of the number of ships and yachts that will be registered. Following the marketing study the number and budget implications may need to be reconsidered.

It is assumed that the Small Ships Register (SSR) will continue to grow at a steady, but not spectacular, rate. Because the vessels on the SSR are pleasure craft owned by Jersey residents, any shortage of berthing facilities for such boats could impact on the growth of the SSR, although the consultants are not aware that any such shortage presently exists.

Figures in respect of the increase or decrease in the number of vessels registered at the beginning of each year by other flag states show considerable differences:

Table 1 – Merchant ship fleet changes 2010 - 2013 of selected flag states

	As at 1.1.10	As at 1.1.11	As at 1.1.12	As at 1.1.13
Marshall Islands	1376	+ 246 over 1.10	+ 254 over 1.11	+188 over 1.12
Malta	1613	+111	+91	- 21
Bahamas	1426	- 42	+25	+37
Cyprus	1025	- 11	+ 8	+8
Isle of Man	363	+22	+25	+12
UK	1667	- 31	+24	- 319
Antigua & Barbuda	1207	+ 86	+29	- 20
Bermuda	155	+ 3	+6	+4
Cayman Islands	150	+ 8	unknown	174

Source: UNCTAD review of maritime Transport 2010, 2011, 2012, 2013

From this table little guidance can be gained as to the possible year on year growth, or otherwise, of Jersey as a Category 1 registry.

As a new REG Category 1 flag state undertaking a determined marketing programme, it is suggested that the following number of additional vessels in each tonnage size bracket might be added to the full register.

Table 2 - Merchant Ships forecast to join the Register

Tons GT Year	Up to 500	501 10,000	– 10,001 25,000	– 25,001 50,000	– Over 50,000	Total New ships
2017	+ 3	+2	+1	+1	nil	7
2020	+ 4	+4	+2	+1	+1	12
2023	+ 6	+5	+4	+3	+4	21
2026	+6	+6	+5	+6	+6	29

Whilst Yachts and Pleasure craft would be an important target in a marketing campaign, in terms of fees they would not generate a large amount and, therefore, at this stage it has been assumed that a maximum of 12 yachts over 24 metres would join the Registry in any one year.

3) Budgets 2017 - 2026

On the assumption that Jersey would attain REG Category 1 status by 2017, preliminary P & L analyses for 2017, 2020, 2023 and 2036 have been drawn up together with a Budget Commentary. These are attached in Appendix 8, 9 and 10 respectively.

To achieve a break-even basis by 2026 on the Registry budget, the Registry will need to have secured, on top of additions already forecast, about an additional 100 ships with a substantial number being larger ships commanding higher fees. The Appendices do not allow for the predicted increase of some 100 ships per year being added to the Small Ships Register which would create additional revenue.

An annual inflation allowance of 1.9% has been made in respect of fees and charges between 2017 and 2026. However no allowance has been made for a general increase in fees and charges. Whilst other flag states do revise their charges there is little pattern of regularity to this. Market conditions and competitive forces are likely to determine the timing and quantity of any increase.”

No account has been taken of any discounts or premiums applied to fees due to new vessels or old vessels or to any discounts agreed as a marketing tool in specific cases.

4) Other Category 1 Red Ensign Group members

Isle of Man

The Isle of Man Ship registry is a modern flag registry with a strong emphasis on quality, high standards and efficient service. The Isle of Man is regarded as the flag of choice for the most prestigious of the world's super-yachts due to its advantageous relationship with the EU as part of the United Kingdom.

In addition, the Isle of Man is considered part of the UK for VAT purposes, which means VAT charged on acquisitions and imports can be reclaimed by an Isle of Man VAT registered entity.

Cayman Islands

The Cayman Islands has been operating a Shipping Registry since 1903. For nearly two decades it has been a Category 1 member of the REG and as such has benefited from being one of the earlier REG ship registers. The Registry has worked hard to maintain its status as a centre of excellence for maritime registrations and is supported by a comprehensive and modern legal framework, coupled with consistent delivery of efficient and pragmatic services to ensure that the highest international standards are maintained.

The well-earned reputation of the Cayman Register makes it popular with institutions around the world involved in financing the acquisition of vessels. The mortgage registration process is efficient and the registry will allow the registration of a mortgage on a vessel under construction unlike some other jurisdictions. In order to accommodate lenders and owners in different time zones and on different continents, the Registry has nine offices – George Town (head office), Southampton, London, Ft Lauderdale, Monaco, Athens, Hong Kong, Singapore and Tokyo, in seven different time zones.

It also offers express over-the-counter service as well as service out of regular hours, which prove to be very useful in situations where transactions are time sensitive.

What is interesting about the Cayman Islands, is that ship registration is regarded as part of the myriad of financial services offerings. The Cayman Islands is the fifth largest financial centre in the world. As a result, owners and lenders can take advantage of some of the most advanced services and sophisticated legal structures available for the ownership and financing of vessels which include orphan structures and Sharia compliant structures, all of which Jersey would be able to offer if it was a Category 1 member.

United Kingdom

The United Kingdom benefits from having a worldwide renown for a robust legal system and business integrity, with many other jurisdictions founding their own legal systems on the same British principles. This coupled with European Union

membership, makes it an ideal platform for international business to reach the wider community in a safe, stable and high quality environment. That having been said, the British registry is conscious that it also needs to market its services better in the current environment.

Gibraltar

In 1997, Gibraltar made the move to convert to Category 1 status, and given its unique position within the EU, it is well placed for fleet access to EU cabotage trades. It is, along with the UK, the only Red Ensign Group Member within the EU. The Register is open to all types of ships irrespective of size, with the exception of fishing vessels, ships propelled by nuclear power and ships not classed with one of the recognised Classification Societies. Ships that are over twenty years old on the day of registration have additional requirements. This ensures that the Registry maintains the highest standards of excellence.

The clear objective for the Registry, as set out by the Government of Gibraltar, is quality over quantity and, consequently, long-term stability for the Register and the ships that operate under it.

The Registry is particularly concerned to keep the average age of the vessels on the Register as low as possible and is careful as to what vessels over 20 years it does, in fact, approve.

This approach supports the views of the Jersey Shipping Registrar for evaluation to Category 1 and that of our findings.

British Virgin Islands

The British Virgin Islands is a comparatively new Category 1 register, having changed in 2007, whereby it looked to build upon its international reputation as a finance centre. The British Virgin Islands has always been an attractive jurisdiction due to its beneficial tax regime for non-residents and the benefit of being able to communicate with numerous time zones in the same working day.

Although at first glance the British Virgin Islands seems like an ideal basis on which to found the case for Jersey progressing the Category 1 register, being another offshore financial centre that progressed recently, there have been, however, significant issues for this register in that it has not seen much success. This appears to be largely down to the perception of the jurisdiction as lacking proper infrastructure and the necessary reputation as a high quality service jurisdiction. This, therefore, highlights the integral importance of effective and consistent marketing that would be necessary prior to and after the change to Category 1, demonstrating that Jersey is a high quality jurisdiction with exceptionally high standards and above all, integrity.

Indirect revenues

Jersey is already the base for a range of activities within the maritime industry including:-

- Corporate and trust management
- Legal and professional advisers
- Wealth management
- Ship and Yacht surveys
- Yacht management
- Yacht broking
- Marine consultants
- Ship agency
- Port and marina activities
- Boat repairs
- Marine tourism

The elevation of Jersey to a Category 1 registry lends the right opportunity for the promotion of Jersey as a centre of excellence for maritime activities. Besides expansion of present businesses, new opportunities may be available in:-

- Ship management
- Crewing agency
- Ship broking
- Private Equity Maritime funds
- Presence of new Maritime related Financial Services Firms

Other registries have shown that there is a link to be made between the Flag State and local related business or even areas for additional growth. The launch of the Isle of Man's Aircraft Registry was based on the structure and success of the Shipping Registry and a survey of leading aviation lawyers from around the world, conducted by leading aviation publication 'Corporate Jet Investor', which has voted the Isle of Man Aircraft Registry the best aircraft registry in the world. One could question whether the Isle of Man could have achieved these awards in such a short period if they did not already have the international exposure through the Shipping Register.

Votes were cast in four Categories: speed of service; customer service; value for money; and innovation. The Isle of Man Aircraft Registry appeared as one of the top three registries in all Categories, coming out on top for speed of service and innovation. The

best shipping registries are known for the speed of service and ability to find solutions to client issues, which may explain why the Isle of Man has been particularly successful in this new sector.

The decision in 2014 to create a Register of Aircraft in Jersey is also of relevance to the potential success of a move to Category 1. All aircraft, whether commercial or privately owned, have to be registered. Jersey's success and demonstration of expertise in each of these registers will bolster Jersey's international reputation and present the Island as a viable alternative to the likes of the Isle of Man. It is worth noting that the Ship and Aircraft registers are often marketed together by jurisdictions to reaffirm the image of a 'one stop shop' for all a client's needs.

Dick Welsh, director of the Isle of Man ship registry, states that the registry is fundamental in attracting business and is not solely focused on generating its own revenues. Law firms, trust companies, banks and accountants are involved in registering ships, arranging mortgages, setting up companies to own them, insuring them and hiring and managing the crew. There are 580 people working in the industry on the Isle of Man with only 100 working in the racier but smaller super yacht industry (source Financial Times: Doing Business in Isle of Man May 2014). It is therefore clear that the financial benefit of being able to offer Category 1 registration is not just the direct revenue source but also the indirect revenues resulting from associated maritime work.

Centre of excellence

Jersey has been at the forefront of international finance since the 1960's and has developed a well-deserved reputation as a centre of excellence, which is endorsed by independent bodies and institutions of the highest standards. This has in no small part been due to Jersey's ability to adapt to the demands of industry and where necessary, introduce new legislation such as the Limited Partnership and Separate Limited Partnership laws in 1994 and 2011 respectively, the Protected and Incorporate Cell Company laws in 2006 and the Foundations law in 2009.

This natural progression and adaptation to meet client demands should be used to capitalise on the opportunities presented by a Category 1 Ship Register as an expansion of its existing breadth of services and expertise.

Jersey Maritime International

Jersey already has a modest presence within the international community via Jersey Maritime International, a group of local service providers working together to increase Jersey's reputation as an international maritime business centre. Jersey Maritime International works very closely with Jersey Finance and Locate Jersey to ensure the Island brand reaches a global market.

The group is made up of approximately 20 local firms and headed by Mr David Capps as Chairman. Mr Capps is incredibly experienced in the maritime sector and is known both locally and internationally for this expertise. Over the years, Mr Capps and the Jersey Maritime International group have been attributed with successful marketing of Jersey as a maritime service jurisdiction and their support will be fundamental in the promotion of Jersey's ability to offer Category 1.

In addition to the questionnaire shown in Appendix 7, a secondary list of questions was circulated to the JMI group to ascertain the following points:

- Would existing clients utilise a Category 1 Register
- How many staff are currently dedicated to serving maritime clients
- In the event of significant growth in the maritime sector would additional staff be required to meet client demands or could current staff be refocused from other areas
- Would additional 'High Value' staff be required and if so could they be recruited locally

The responses received demonstrated a resounding support for progression to Category 1. Whilst there are currently a relatively small amount of staff dedicated solely to maritime clients, responses indicate that additional local staff would be required in the event of growth within the maritime sector. This would include additional 'High Value' staff potentially from outside of the Island.

To give an example of the potential revenues and structuring of a maritime focused financial service business, a leading Trust, Consulting and Accountancy firm in the Isle of Man has kindly provided estimates of the proportions of their business revenues generated by maritime activity, by service type, and also the number of staff required to service these clients.

Approximately 70% of the company's revenues related to maritime clients, which is made up of the following activities:

- 15% advice and consulting on import and VAT
- 10% advice and consulting on crewing and operational
- 45% administration and fiduciary

The earnings before interest on tax on these revenues have been confirmed to be in the region of 35 - 45% and this is considered the industry average; although the estimated profit margins for different services does vary:

- Consulting – 50%
- Structuring/ownership – 45%
- Administration – 25%
- Crew payroll – 15%

Enquiries were also made in relation to the impact of the Isle of Man Aircraft Register on the business and whether this increased their revenues from existing clients. In order to cope with growth in the maritime sector and the introduction of aviation services it was necessary to retrain existing staff as well as recruiting additional staff, these were proportionally about 50/50.

Of the existing maritime clients, approximately 10% went on to use the same service provider for their own private aircraft. It may of course be that many of these clients do not have an aircraft. Only 50% of the aircraft structures administered by the company were as a result of existing client relationships so by no means was interest limited to existing clients.

This company displays clearly that it is possible to generate a significant business revenue from the maritime sector attached to a successful Category 1 Ship Register in association with the latter addition of an Aircraft Register and should be seen as an example of success that could be replicated locally.

(n.b The advice and consulting is in respect of 110 yachts whilst the admin and fiduciary is in respect of 60 yachts. These assets are administered by a team of 28 dedicated maritime and aviation staff and various other staff with multi-focused roles)

Current presence

It is important to note than unlike the Aircraft registry, the Jersey Shipping Register has already established regular marketing activities in relation to its current offering. It has business listing in the Superyacht Report and revamped its style and core business selling points to support its growth. In addition, members of the Register attend events beyond the London and Southampton boat show. One member captured the America's Cup support fleet and this flew the Jersey flag at some very spectacular events on both sides of the Atlantic. The marketing of Category 1 will key to its success and this will be dealt with in Phase 3 of the Report

The Register's is currently marketed as a pragmatic, small and efficient register that actively provides the following services:

- Superyacht survey via the newly appointed surveyor, Mr Phil Noad, (jointly with Grand Cayman)
- Issuance of safe manning documentation, crew endorsements and exemptions
- Registration of vessels under the new Category 2+ status which has highlighted Jersey's international profile as a Register on the rise and brought new types of vessels to Jersey that were previously excluded.
- A close working relationship with international shipyards, most recently in Holland and Singapore that give Jersey an advantage at source.

As with all industries, it is about being known and, at present, Jersey's primary source of business is word of mouth. The progression to Category 2+ has demonstrated that developments such as this have a direct impact on the level of international awareness.

Ship management

Advisers and their clients appreciate the benefits of using corporate structures rather than personal ownership; perpetual succession; limitation of liability (in the event of there being an accident which may lead to injury, loss of life or environmental damage such as pollution) and possibly financial, tax and estate planning opportunities presented by using a corporate vehicle as owner, depending on the individual's personal circumstances.

Whilst the legal and financial sectors appear well represented in Jersey and yacht managers and surveyors are based in the island, there are few ship management companies. Over the last 20 years Cyprus has been successful in attracting a number of ship management companies, including companies of German and British origin.

By no means are all the vessels managed by these companies registered in Cyprus and by no means are the owners based only in the Mediterranean. Ship management is a relatively low margin business and therefore the selection of an operating basis will depend on a number of factors including:

- Favourable tax environment
- Availability of good local staff
- Availability of good office accommodation at a reasonable cost
- Reasonable costs for expatriate staff
- Good communications
- Good supporting legal and financial advisers

A ship management company already managing a number of ships that establishes or moves to an office in Jersey, is likely to employ between 10 and 15 staff in the early stages but as the business grows with more ships under management, staff numbers will increase.

An example of this is the opening of a Jersey office by the Isle of Man based Trust Company 'Equiom' which has brought to the island a number of maritime clients and, as these client businesses have expanded, recruited local staff to meet the demand.

As Jersey demonstrates its ability to perform and provide top quality service it will begin to attract more 'group' migrations, such as that of 'Nimrod Sea Assets Limited' in early 2014, which will require local service providers to expand their workforce accordingly.

If Jersey is successful in registering an increasing number of large yachts, over 24 metres, the island could attract more yacht managers. Whilst this business is not a large employer, a successful company may also establish a yacht broking company handling the sale and purchase of yachts as well as the chartering of yachts. Yacht charters are typically for a relatively short duration, up to a month at a time, but the clientele are often

high wealth individuals or their companies. Typically, a yacht manager with a broking and chartering company might employ 10 - 15 staff.

Ship registration would be undertaken by financial services business and there are already a number of local business providing this service, using other registries for vessels over 400gt. It is expected that the registration of a vessel in Jersey would be either by resident individuals or through a Jersey Company. The benefits of the latter would be additional revenues to both the financial services business and the States of Jersey, as shown in the attached Appendix 6.

It is also anticipated that other financial services business not already operating in this sector, may choose to establish new teams to assist with the maritime offerings and as such additional revenues for the States of Jersey would be achieved through personal taxation.

It has been difficult to quantify these additional revenue streams, but we have endeavoured to gather some information from other financial services business through a Questionnaire, a copy of which is attached in Appendix 7.

Crewing management and agency

Large vessels, be they commercial or pleasure craft, demand a level of on-board expertise and staffing to meet safe manning requirements and, as such, there is a requirement for crew management and agency companies to source the relevant expertise. A common structure in this industry is an offshore protected cell company providing crew management services with each 'cell' relating to a different vessel crew. This type of structure requires an intensive commitment by skilled staff to ensure compliance with the safe manning and marine labour conventions and typically, one could expect a management/agency company to employ 12 – 15 skilled staff, with additional support from secretarial staff.

Some of the services included as part of this role are as follows:

- Guidance regarding employment contracts and licences
- Access to superior banking facilities allowing for comprehensive payroll services in multiple currencies
- Tax efficient structures
- Detailed financial reporting and controls
- Crew insurance and pensions
- Sourcing of high quality crew
- Radio and satellite equipment licensing
- Administration and accountancy

It should be noted that Jersey is already able to offer this service and, as such, the elevation to Category 1, would only serve to increase business. Crew Management Companies have tended to use Guernsey for this service, probably because Guernsey was the first jurisdiction to introduce protected cell companies. However, given Jersey was the first jurisdiction to introduce its own incorporated cell legislation and that these structures may be better suited to crew management arrangements (as the liabilities are more strongly ring-fenced), there is potential to market this service more heavily. If Jersey was the first of the two Islands to apply for Category 1 then it is expected that many clients wishing to have a "one stop shop" would move all maritime arrangements to the Island. At present there are only a small number of firms in Jersey providing crew management services (such as Equiom, Vistra, JTC and Altis Partners) and there is, therefore undoubtedly, an area for growth in this sector which would be encouraged by a Category 1 register.

Ship broking

The role of a shipbroker is to act as an intermediary between the owner of a ship and the person who wishes to have their goods freighted by that ship as well as acting for the seller or the buyer in the sale and purchase of ships. The Institute of Chartered Shipbrokers provide training and qualification by examination but it is experience in the work place which gives the shipbroker his/her expertise and knowledge.

A shipbroker can, therefore, be thought of as a trader, and the advantage Jersey offers to this position is that it is well placed to service the US, European and Asian markets in the same day, allowing for maximum market exposure.

The growth of this industry would affect several of the existing sectors in Jersey such as banking, legal, insurance and accounting whilst also attracting the new market of ship broking in its own right.

The current international climate is heralding change in the shipping industry and perhaps most notably in the number of Greek shipbrokers looking to relocate to London, the most significant overseas base for Greek ship owners since the 1960s, or similar jurisdictions. At the Greek Shipping Awards in 2014 representatives of Moore Stephens Jersey were surprised to find that many of those considering relocating had simply assumed London was the best alternative. Meanwhile Jersey with its attractive tax regime, flexible legislation, proactive government, highly trained labour force and convenient location can be a better option for ship broking business.

Several years ago a similar situation could be observed in the mining industry but in no small part due to heavy campaigning by Locate Jersey, many of the big names in the industry have turned their sights to Jersey as a viable alternative and some have already begun to open offices locally.

During a meeting with Wayne Gallichan, Director of Inward Investment and International Trade Development at Locate Jersey, it became clear that effective marketing was key to the success of this endeavour. Ship broking, particularly in Greece, is often a 'family' business and in this regard, Jersey can benefit from offering a family friendly environment whilst boasting a highly dynamic business platform from which to operate.

Private equity maritime funds

The funds industry in Jersey underpins its success as an international finance centre. A prominent player in delivering fund services since the 1960s, today Jersey has a total net asset value of around £190 billion (JFSC - 1/12/2013 Survey) under administration and management.

As a tax neutral jurisdiction with a full range of fund regimes Jersey can cater for investors of all risk appetites, from highly regulated retail products through to fast-track products for the most sophisticated investors. Jersey has earned a reputation as a specialist centre for alternative funds business, with around 70% of the value of Jersey's funds industry active in the alternative asset classes.

Jersey continues to demonstrate a commitment to innovation and working towards ever higher standards of supervision and appropriate regulation ensuring it remains a competitive jurisdiction.

Private equity funds, in one way or another, have always had a strong presence in the shipping industry and key industry analysts such as those at 'Marine Money' have indicated that a surge in investments by such firms in 2013 can be taken as a clear sign that shipping is preparing for a historic growth. Confidence is returning to the shipping markets and there is a need for capital as traditional sources of finance such as bank debt is still relatively scarce. It is not surprising to find that many private equity firms already have ad-hoc relationships with Jersey but prefer to utilise a 'one stop shop' for often complex structuring and joint ventures.

Shipping is currently attracting a great deal of interest from investors in the private equity sector. It has been estimated that some US\$7–8 billion, at least, of private equity funding could find its way into shipping this year. The shipping industry, however, still accounts for only a tiny percentage of overall private equity investment, so there is arguably scope for significantly more.

The timing appears to be good. A shipping industry emerging from a protracted slump offers potentially exciting opportunities for private equity investors. The new building prices of vessels are relatively low, so it makes sense for private equity funds to invest in them. Freight rates have not yet returned to the sort of levels which would normally have private equity investors reaching for their cheque books, but they are no longer in the doldrums. In fact, there is a reasonable expectation that, if rates rise and values recover, the returns in the next few years will be above the long-term average.

There have been a number of recent successful private equity deals involving shipping, including Oaktree, Blackstone, Riverstone and KKR. These, among others, are all examples of significant investments into shipping at a low point in the shipping cycle. There is a clear incentive for others to take the plunge. Moreover, private equity could provide a viable funding option for shipping company senior executives looking to set up on their own. Experienced professionals with a thorough knowledge of the industry are just the sort of people with whom private equity should be looking to do business, so it

is a perfect example of goal alignment. (Source Anthony Cunningham Moore Stephens London, Bottom Line Summer 2014)

Jersey certainly has the financial facilities and if the 'one stop shop' image can be presented in the correct form this is an area for substantial growth when coupled with the increased number of 'OTC' private placement listings. The capital markets of Norway and NY are aggressively providing equity for shipping investments and offshore jurisdictions, such as Jersey, are perfectly positioned to provide the means of pooling investment.

Many maritime shipping companies have a General Partner and Limited Partner structure; this structure is something that you usually see in Private Equity / Venture Capital funds and hedge funds (source The Industrials Group (Part Three): Maritime Shipping Investment Banking by Luis Miguel Ochoa). Jersey has considerable expertise in operating such structures and is one of the first jurisdictions to have its own Separate Limited Partnership legislation, but has not, to date, been active in marketing its services within the maritime sector.

Presence of new maritime related financial services firms

Should Jersey attain Red Ensign Group Category 1 status there is no one single reason that the number of industry related companies based on the Island would increase. If, however, the Isle of Man is taken as an example, the growth of their Category 1 registry has coincided with an increase in industry related activities.

This success can also be seen in other jurisdictions, such as Gibraltar, and evidenced by the law firm Triay & Triay which experienced a large amount of growth as a result of the move to category 1 in 1997 and being named in the 'White List' in 2006. The firm was a key player in these developments and has established itself as a highly regarded player in the local maritime industry.

This same success could be replicated in Jersey and attract the big names in maritime such as Holman Fenwick Willan, Norton Rose Fulbright, Clyde & Co, Hill Dickinson LLP and Ince & Co which would, undoubtedly, increase Jersey's profile in all areas. It is worth noting that some of these firms have previously had a presence in Jersey, and the strong relationship between Jersey and London demonstrated in the McKinsey Report would play a large part in encouraging their return to the island.

Category 1 registry can also bring additional revenue streams and important diversification benefits to Jersey finance and insurance industries. Big players in shipping finance like Nordea Bank AB and DNB ASA might consider opening offices on the island to better serve their existing and potential clients, while local insurance brokers can collaborate with major shipping insurance and reinsurance companies to extend their product lines.

Although it is difficult to quantify the impact on the above mentioned sectors, positive spill-over into the Jersey economy could be quite substantial and should not be overlooked.

A Category 1 register would also present the opportunity for Jersey to move away from tax driven structures that have until recent years been a primary focus for Jersey Financial Service Businesses. The international tax environment is becoming increasingly harsh and whilst Jersey is considered to be one of the most compliant and transparent Offshore Jurisdictions, it is important that other merits to the Island's services are made clear.

Additional areas for growth

1) Sailing Schools

As Jersey grows its yacht register there could be a strong case for the establishment of a sailing school offering courses to people who are looking to make a career in the yachting business. The Solent and the Isle of Wight are home to a number of sailing schools, the UK Sailing Academy being one of the leaders, but Jersey's location and climate could be ideal for a sailing school offering instruction for offshore and ocean sailing. Both shore and water facilities would be required to provide berthing for the company's yachts, shore based class rooms and accommodation as well as yacht maintenance facilities. Whilst there are sailing instruction courses available in Jersey, these are primarily for dinghy and inshore sailors. A sailing school might employ 12 to 15 people.

Jersey is a popular destination for sailors from the UK and also France and the Netherlands during the summer season. Despite there being some 1,150 berths of all types in the St Helier area, there are times when visiting yachts cannot secure a berth or could be faced with a lengthy wait at a pontoon. Studies have been made over the years into the possibility of the construction of a new marina providing berths for both local and visiting yachts. If Jersey, as a REG Category 1 flag state, is successful in registering an increasing number of superyachts, i.e. those over 24 metres, as well as yachts of 15 - 24 metres in length, whilst many of these yachts may not use Jersey as a home port, there should be first class facilities to accommodate even a limited number. Such yachts can be considered as 'high spenders'. Cowes, Lymington and the Hamble are reaching saturation point and Jersey could offer an attractive alternative given good flight connections, easy access to the Channel and to the popular French ports as well as a favourable climate. With an increase in the number of yachts and pleasure craft able to use Jersey marinas comes increased business for yacht suppliers, repairs and maintenance, yacht brokers and managers as well as for the hotel and catering industries. Apart from the number of people employed in the building of a new marina, there would be 20 or more employed by the marina and associated yacht services companies.

2) Education

Highlands College Jersey already offers a number of directly maritime focused courses, such a RYA Yacht Master and Skipper Theory and less obvious maintenance fields such as welding and mechanics that can be applied to the maritime industry should there be an opportunity to do so.

As a high quality education centre Highlands College could with sufficient interest provide several additional courses already provided abroad that could service the growing industry such as crew management, ship brokerage, surveying and international conversion approved crew qualification courses such as those under the STCW (Standards of Training, Certification and Watchkeeping).

The Royal Institution of Naval Architects and The Institute of Marine Engineering, Science and Technology are two major organisations representing between them Naval Architects, Marine Engineers, Scientists and Technologists in the UK and overseas.

On the Isle of Man a Joint Branch of the two organisations operates offering a programme of technical presentations.

In addition, aspiring and newly appointed ship superintendents from the Isle of Man and abroad can receive accredited tuition on subjects relevant to the role of ship superintendent on the Island. The accredited Ship Superintendent Training Course is primarily designed for recently appointed ship superintendents or aspiring entrants into the world of ship management or ship ownership - whether working for a ship owner or ship management company; or whether applying from a Deck, Engineering or Naval Architectural background.

This course is a joint initiative between the Isle of Man Ship Registry (Department of Economic Development) and the Isle of Man International Business School and is delivered by a wide range of industry experts.

The course was put together by staff from the Isle of Man Ship Registry, the Isle of Man International Business School, Bernhard Schulte Ship Management (IoM) and the Döehle IOM Group and has been approved by IMAREST (the Institute of Marine Engineering, Science and Technology), the Nautical Institute and DNV (Det Norske Veritas).

Jersey could look to replicate these types of courses and explore the possibility of attracting overseas students. Consideration would need to be given to student hall accommodation, which in itself is another area of growth for both the construction industry and private equity investment.

4) Ultra High Net Worth Individuals and 1(1) K/High Value Residency Scheme

Jersey has the additional benefit and unique selling point of providing a very attractive tax scheme for 'High Value' residents moving to the Island. The owner of a super yacht or large commercial vessel in a Category 1 Register will, undoubtedly, have sufficient private wealth to meet the requirements of this scheme.

This should be marketed heavily as a key personal benefit to not only the UHNWI's but also their businesses which would bring additional employment to the Island. The key figures in terms of taxable revenue are as follows:

- 20% of all income earned from land and buildings in Jersey, or dividends paid from a company in receipt of Jersey property income
- 20% on the first £625,000 of all other income
- 1% on all income above that level

In addition to the above, the scheme provides some attractive benefits such as immediate entitlement to purchase properties and vote in the local elections. These points help solidify the perception of Jersey as a home base to the individuals from which their lifestyle and wealth can be managed with confidence.

3) United Kingdom Maritime Coastguard Authority - Memorandum of Agreement

Although not an 'area for growth' it is important to note that the Memorandum of Agreement signed in November 2013 with the UK Maritime Coastguard Authority, as head of the REG, allowed Jersey to achieve 'Category 2 +' status. This allowed Jersey to register larger vessels up to 400GT and access a previously unavailable market. The international maritime interest in Jersey as a result of this increased immediately and is evidenced by the increased revenues of the Jersey Register from this sector. Given the relatively short time since this MOU was signed and small amount of marketing regarding the change, it is a clear indicator that the international community has an appetite for Jersey's prestigious reputation.

Summary

If Jersey was to progress to a Category 1 Register, the direct revenues from the Register itself should not be considered the bottom line of revenues for the island. Strictly speaking it is unlikely to ever achieve a large profit year on year, however this is not the function of a Ship Register. This is certainly the attitude adopted by the Isle of Man Ship Register.

“We are not here to make money. We are here to attract business for companies on the Island”.

Dick Welsh – Director of the Isle of Man Ship Register – interview with the Financial Times in May 2014

This approach has clearly been very successful for the Isle of Man which is one of the fastest growing ship Registers and as a result, strongest maritime related service providers. The same approach should be adopted by Jersey, the Ship Register itself should be seen as a centre from which economic growth will emanate rather than being a source of large revenues. The UNCLOS requirement to have a genuine link to the flag state will ensure that the wider community sees a benefit, whether it be from ‘Registered Agent’ capacities or the preferable use of Jersey Companies as holding vehicles and the local financial service providers to maintain these structures. The growth in the relatively short time since the signature of the ‘Category 2 +’ Memorandum of Understanding should be taken as a key example of the potential for growth. Particularly in relation to individuals with large amounts of private wealth, bringing Jersey to their attention via the Ship Register would in turn raise awareness of the expertise in offshore structuring, wealth management, Trust, Fund and Company administration and the other services Jersey can provide to high net worth individuals and corporates.

Growth in the financial service business stimulated by the maritime sector would include ‘high value’ growth through employment, business revenues and the possibility of high value residents coming to Jersey under the 1(1) K High Value Residency scheme. It is clear from our research that growth in one sector will stimulate growth in another and as the Islands’ reputation grows further, as will the value added to the Island. The growth would not be limited to financial service businesses but other areas such as education via higher learning institutions, for example Highlands College, which offer qualifications at certificate, diploma and university levels. In time, the requirement for external expertise will also decrease as education offered locally will develop local specialists and further increase the perception of a combined, single offering, where all a client’s needs can be met in one place.

Of course with this opportunity comes a certain amount of risk, both reputational and financial as there will be an opportunity cost. The risk primarily lays in the type of vessels being registered and it is recommended that in the first few years, a restricted risk based approach is taken to the registration of certain types of vessel. This is a common course of action by many Category 1 Ship Registers and has proven effective in providing a level of reputational protection. Jersey’s quality over quantity approach will of course provide an additional safeguard.

The financial risk is that the value added to Jersey by the maritime sector is not significant enough to meet the costs of running a Category 1 Register. Through independent research and discussions with local firms it has been demonstrated in this report that with sufficient expertise and awareness, significant value could be added to the Island and if marketed correctly, in conjunction with the Jersey Aircraft Register the 'one stop shop' reputation that should be considered critical for success could be achieved.

It is also important to consider the cost of missing this opportunity. In the ever changing international sphere, being unable to provide a service is often noted and given Jersey's reputation as a leading offshore finance centre, it would be detrimental to offer a limited spectrum of services where other jurisdictions of a similar international standing are unrestricted. At present, Maritime and Aviation are not areas Jersey is synonymous with, but with the recent establishment of the Jersey Aircraft Register and its expected growth, the international community will question why Jersey has chosen to pursue one market whilst restricting another.

In conclusion, whilst there is an element of speculation as to whether a Category 1 Ship Register will indeed bring value to the Island, there are sufficient possibilities presented to the Island that combined with the potential consequences of missing the opportunity, suggest a Category 1 Register would be of benefit to the Island. This of course depends largely on having sufficient infrastructure, for which Jersey is renowned in other sectors, to support a Ship Register that provides an efficient, high quality service that also protects Jersey's international reputation.

Raising awareness of this new venture will be instrumental in any potential success and it is strongly recommended that this is undertaken alongside the promotion of the Jersey Aircraft Register.

"The Island let the matter slide away some 40 years ago, so let's get a grip on it now. Others have overtaken us in the meantime, but Jersey's world standing as a finance centre would slowly but surely, prove Category 1 to be a success"

Captain Brian Nibbs – Director of Greenhill Consultancy Limited; ex Harbourmaster and CEO of Jersey Harbours

Budget and combined revenue comparison

To demonstrate the benefit of the opportunities presented in this report a combined representation of the estimated P&L analyses (appendix 8) and the potential revenues generated by maritime associated financial services (appendix 6) and the registry itself (see appendix 9) has been prepared. It should however be noted that this only includes figures for which there is a known financial basis and does not include unquantified revenues for which a firm estimate cannot be provided, such as:

- Introduction of 1(1) K residents
- Growth in other sectors due to increased economic stimulation
- Revenues from employment in education
- Management of private wealth as a result of increased client base
- Revenues from additional holding structures (Trusts/private companies) and wealth protection
- Structure financing
- Captive insurance structures

Undoubtedly these will have a positive impact in terms of increased taxable revenues and whilst such increases cannot be reliably estimated, they should be noted as a significant factor when considering appendices 8 – 10 which only represent the figures demonstrated in previous appendices.

In addition to the above, it is important to remain aware of Jersey's competitors' abilities and spectrum of services in the international finance community. Many of Jersey's primary competitors within the Red Ensign Group such as Isle of Man and British Virgin Islands can offer ship registration; if additional competitors currently unable to provide this service, such as Guernsey, were to progress to Category 1 then the impact of lost opportunity could have a significant effect on Jersey's international standing as an international finance center of excellence. It is often what a jurisdiction cannot do, rather than what it can, that sets it apart from its competitors.

1) Estimated budget and potential revenues

Appendix 9 illustrates the potential gross 'value added' to the island as a result of the figures estimated in this report. It is possible that a Category 1 Ship Register would present economic benefit to the island as early as 2026 based solely on the services estimated in this report; though in reality this could be much sooner when considering the previously mentioned additional revenues which cannot be reliably estimated, whilst simultaneously decreasing unemployment in the island.

2) Conservative growth

It was previously mentioned that, at first, a risk based approach to vessel registration could be adopted to reduce the reputational risk presented to the Island. This risk based approach could also be applied to the financial risk and opportunity cost as a result of progressing to Category 1 by taking a more conservative growth strategy in order to monitor financial cost/benefit which could be achieved by:

- Reducing marketing resources
- Delaying employment of additional staff and surveyors
- Delaying overseas representation
- Utilising technology and support services from other governmental departments

Appendix 10 illustrates this conservative approach based on a revised expense budget and revenue figures that have been adjusted accordingly to represent the decreased market awareness as a result of reduced marketing resources. This again demonstrates that, notwithstanding the unquantifiable benefits, a Category 1 Ship Register on a conservative growth model, presents an economic benefit to the Island.

Appendix 1

Red Ensign Group Category 1 Fees and Charges

Merchant Ships

		Initial Registration		Annual Fees	
	Tons				
UK	NT	£124	Renewable after 5 years	0 -1,000	£0.60 per 100 tons per day
				1,000 - 10,000	£0.45 profit rate
				10,000 - 25,000	£0.30
				Above 25,000	£0.15
				Note: Complex rules apply	
Bermuda	No fees published				
BVI	GT	Less than 500	\$750	Less than 500	\$750
		500 - 1999	\$750 + \$0.50 per add GT	500 - 1999	\$1250
		2000 - 9999	\$1500 + \$0.18 per add GT	2000 - 9999	\$2500
		10,000 - 49,999	\$2940 + \$0.16 per add GT	10,000 - 49,999	\$7,500
		50,000 and over	\$10,000	50,000 and over	\$10,000
Cayman Islands	GT	upto 150	\$400	First 2500	\$1,000
		150 upto 400	\$600	Over 2500	\$0.11 per additional ton
		400 upto1500	\$850	Annual Casualty Investigation Fund \$75	
		1500 and above	\$1,300		
Gibraltar	GT		£550	upto 50,000	£800 + £0.07 per ton
				50,001 - 100,000	+ £0.04 per ton over 50,000
				100,001 and more	+ £0.02 per ton over 100,000
				Maximum	£9,000
Isle of Man	Per vessel		£730		£1,200

Other Ship Registries Fees and Charges

Bahamas	NT	Nil	2000 tons or less	\$2,552		
			2001 - 5000	\$2,155 + \$0.20 per ton		
			Greater than 5000	\$2,305 + \$0.17 per ton		
Malta	NT	0 - 2500	€ 625	0 - 2500	€ 1,000	
		2500 - 8000	€625 + €0.25 per add ton	2500 - 8000	€1,000 + €0.40 per add ton	
		8000 - 10000	€2,000 + €0.07 " "	8000 - 10000	€3,200 + €0.19 " "	
		10000 - 15000	€2,140 + €0.07 " "	10000 - 15000	€3,580 + €0.14 " "	
		15000 - 20000	€2,490 + €0.07 " "	15000 - 20000	€4,280 + €0.12 " "	
		20000 - 30000	€2,840 + €0.07 " "	20000 - 30000	€4,880 + €0.09 " "	
		30000 - 50000	€3,540 + €0.07 " "	30000 - 50000	€5,780 + €0.07 " "	
		over 50000	€4,940 + €0.07 " "	over 50000	€7,180 + €0.05 " "	
Note: "per add ton" indicates each ton over the lower end of the range i.e 2800 tons = €625 + €0.25 x(2800 - 2500)						
Marshall Islands	NT	Schedule A	\$2,500		\$0.20 per NT	
		PLUS Marshall Islands International Participation (MIIP)		upto 4000 GT	\$1,660	
				over 4000 GT	\$1,500 + \$0.04 per GT	
		Schedule B	2500 or less	\$2,500	2500 or less	\$500
			2501 - 15000	\$5,000	2501 - 5000	\$0.20 per NT
			15001 - 35000	\$10,000	5001 - 25000	\$0.17 "
			35001 - 50000	\$15,000	25001 - 50000	\$0.15 "
			over 50000	\$20,000	over 50000	\$0.125 "
		PLUS Marshall Islands International Participation		5000NT or less	\$2,000	
				5001 - 25000	\$1,750 + \$0.04 per NT	
				25001 - 50000	\$1,500 + \$0.04 per NT	
		over 50000	\$1,250 + \$0.04 per NT			
Liberia	NT	Nil	Less than 14,000	\$0.40 per ton min \$880.00		
			14,000 and above	\$3,800 + \$.10 per ton		
			PLUS			
			Marine Safety Inspection for vessels over 500GT			\$1,750
			Marine Investigations and Int'l Participation (MIPS)			
			Less than 14,000	\$1,000 + \$0.07 per ton		
14,000 and above	\$2,000 + \$0.03 per ton					

Appendix 2

Yachts - Registration and Annual Fees

Exchange Rates: £1.00 = US\$1.65

£1.00 + €1.21

Commercial Yachts					Pleasure Yachts					
		Registration	Annual			Registration	Annual			
BVI	Less than 24 m	\$750	£455	\$250	£152	Less than 24m	\$600	£364	\$100	£61
	Less than 500GT	\$750	£455	\$300	£182	24m and above	\$750	£455	\$300	£182
	500-1000GT	\$1,000	£606	\$500	£303					
	1000 -3000gT	\$1,500	£909	\$1,000	£606					
Malta	Less than 24m	€ 115	£95	€150 + €175	£269	Less than 24m &				
						Less than 50GT	€ 115	£95	€25 + €175	£165
						50GT or more	€ 115	£95	€25 + €200	£186
	24m and over					24 m and over	€0.25 per NT	£0.21	€255 plus	£211
	0 - 2,500 NT	€ 625	£516	€ 1,000	£826				€0.25 NT	£0.21
						Minimum	€187.50		Minimum €400	
							£155			£331
Isle of Man		£730		£1,200			£160		£115	
	Commercial Yacht Fees			£210 per month						
Gibraltar							£225		£25	
Bahamas		nil		\$1,000	£606		nil		\$700	£424
				plus \$0.20 per GT	£0.12					
Cayman	Up to 500GT			\$400	£242	Up to 500GT		\$400		£242
Islands	Over 500 > 1000GT			\$600	£364	500>1000GT		\$600		£364
	Over 1000GT			plus \$0.20 per GT	£0.12	Over 1000GT		plus \$0.20 per GT		£0.12
Marshall	Upto 399GT	\$1,800	£606	\$750	£455	Up to 399GT	\$1,500	£909	\$750	£455
Islands	400 - 999GT	\$1,800	£606	\$1,000 £606) + MIIP		400 - 999GT	\$1,500	£909	\$1,000	£606
	>1000GT	\$1,800	£606	\$1,250 £758) \$1,660 pa	£1,006	>1000	\$1,500	£909	\$1,250	£758

Note: For 3 year package 10% reduction

Appendix 3

Registration and Annual Fees

Exchange Rates (as at 31.1.14): £1.00 = US\$1.65

£1.00 = €1.21

Bulk Carrier 45,999 GT 27,976 NT 84,062 DWT															
	BVI	Malta	IOM	Gibraltar	Bahamas	Cayman	Liberia	Marshall Islands							
Registration	\$8,700	£5,280	€ 4,660	£3,839	NIL	£550.00	Nil	\$1,200	£728	Nil	\$2,500	£1,515			
Annual Fees	\$7,500	£4,552	€ 6,900	£5,684	£1,400	£4,020	\$7,061	£4,285	\$5,785	3,511	\$6597	£4,004	\$5,595	£3,391	
				+ £210/105 pm					MIIPS		\$2,829	£1,723	\$3,340	£2,024	
										Marine Safety			\$2,000	£1,212	
Container Ship 74,176 GT 42,558 NT 85,701 DWT															
Registration	\$10,000	£6,069	€ 4,419	£3,640	NIL	£550	NIL	\$1,200	£728	NIL	\$2,500	£1,515			
Annual Fees	\$10,000	£6,069	€ 6,659	£5,486	£1,400	£5,267	\$9,540	£5,790	\$8,884	£5,392	\$8,056	£4,889	\$8,512	£5,159	
				+ £210/105 pm						MIIPS	\$3,277	£1,989	\$4,467	£2,707	
													Marine Safety	\$2,000	£1,212
Crude Oil Tanker 60,205 GT 32,143 NT 107,600 DWT															
Registration	\$10,000	£6,069	€ 3,690	£3,040	NIL	£550	NIL	\$1,200	£728	NIL	\$2,500	£1,515			
Annual Fees	\$10,000	£6,069	€ 5,930	£4,835	£1,400 m	£4,708	\$7,769	£4,715	\$7,623	£4,626	\$7,014	£4,257	\$6,429	£3,896	
				+ £210/105 pm						MIIPS	\$2,964	£1,799	\$3,908	£2,368	
													Marine Safety	\$2,000	£1,212
General Cargo Ship 15,861 GT 7,520 NT 25,028 DWT															
Registration	\$3,878	£2,354	€ 1,880	£1,549	NIL	£550	NIL	\$1,200	£728	NIL	\$2,500	£1,515			
Annual Fees	\$7,500	£4,552	€ 3,008	£2,478	£1,400	£1,910.25	\$3,583	£2,175	\$2,470	£1,499	\$4,592	£2,763	\$1,504	£912	
				+ £210/105 pm						MIIPS	\$2,226	£1,350	\$2,134	£1,293	
													Marine Safety	\$2,000	£1,212

Note: Marshall Islands calculated on Schedule A which, for these size ships, is more beneficial than Schedule B

Appendix 4

Proposed level of fees

	Initial Registration	Annual
1. Yachts and Pleasure craft		
a) Pleasure craft		
Less than 24 m	£285	£50
24m and over	£285	£100
b) Commercial		
Less than 24m	£500	£250
24m and over	£500	£500
2. Merchant Ships.		
Up to 500GT	£750	£1,000
501 up to 10,000GT	£1,000	£1,250
10,001 up to 25,000GT	£1,250	£1,500
25,001 up to 50,000GT	£1,500	£3,000
Over 50,000GT	£2,000	£4,000

Note: In respect of any Yacht, Pleasure craft or Ship beneficially owned by a Jersey resident or Jersey registered company the Annual Fees would be subject to a 5% discount.

3. Survey Fees

Subject to further discussion and Marketing study

4. Other fees

Provisional Registration	£125
Transfer of Ownership by Bill of Sale	£125
Transfer of ownership by transmission on death of owner	£125
Registration of priority notice by intending mortgagee	£ 50
Renewal of priority notice by intending mortgagee	£ 25
Renewal of priority notice by intending mortgagee	£100
Registration of Mortgage	£125
Transfer or Transmission of Mortgage	£125
Discharge of mortgage	£100
Renewal	£100
Change in particulars, including change of Engine, Authorised Officer and change of Representative Person	£ 50
Change of Vessel name	£ 75
Issue of duplicate certificate	£ 50
Transcript of a Register	£ 50
Request for Closure by owner	£ 50
Transcript of a Closed Register	£ 40
Transcript of a Register at other than current date	£ 40
Transfer of Port of registry from Jersey, including Transcript and closure	£100
Inspecting a Register Book	£ 25
Certified Copy of Document	£ 25

Appendix 5

Budget Commentary

The budgets have been prepared on the basis of assumptions in respect of the number of vessels and yachts joining the Jersey Ship Registry. However it would be prudent to note that following the Marketing study, adjustments to the budgets may be necessary, depending upon the conclusions concerning the number of vessels and yachts that could be expected to join the Registry

2014 - 2016 CAT 2 Registrations

For 2014 based on first half-yearly results, income for the full year is expected to be about £120,000 for full registrations and small ships. This consists of registration fees, surveys and inspections, and other charges associated with registration.

This level of income will continue and may grow in 2015 and 2016. It is possible that in 2016 there could be a surge of registrations by owners of CAT 2 vessels wishing to take advantage of the relatively lower CAT 2 fees compared with the CAT 1 fees effective from 2017.

2017

Revenue:

Full Register: For 2017 assuming that Jersey is CAT 1 for the full year, some vessels already registered under CAT 2 will be up for renewal of registration having completed their initial 10 year registration. It is assumed that they would not be required to pay the 'Initial Registration' fee. Income from these renewals and other registration associated charges is taken as £85,000.

7 Cat 1 ships join the Register, with another 8 joining in 2018 and 9 in 2019. In addition it is expected that 5 large yachts will join each year.

Small Ships Register: A modest increase from 2014 as more local craft register and renewals take place.

Expenditure:

Salaries: 5 staff including Director and 1 Surveyor

Pensions and Social Security: Assume percentages of salary unchanged from 2014

IT and support: Continuous updating of programmes and systems anticipated

Marketing and advertising: Expenditure in the early years after attaining Cat 1 status will be high in order to promote the flag state.

2020

Revenue:

In 2020 of the vessels first registered in 2010, some will renew and income from renewals and annual registration and associated fees from vessels that renewed in 2018 and 2019 is taken as £78,000.

Full Register: 12 ships join the Register, mostly in the smaller size range with a further

14 in 2021 and 16 in 2022. In addition 8 large yachts will come on the Registry in each year.

Expenditure:

Salaries: A further full time Surveyor and Registry support staff join

Office rent, services and supplies: includes the facilities for additional staff

Travel and hotels: Substantially more promotion of the Registry overseas will be undertaken by the Director.

2023

Revenue:

By 2023 the 140 vessels first registered in 2013 will be due for renewal and income from those that do renew and those that renewed from 2018 onwards, together with associated charges, and is taken as £72.750.

Full Register: 21 more ships, including larger size vessels will join the Register in 2023 with a similar number in each of the following two years. Further success in the large yacht category will bring another 12 on to the Registry in each year 2023-2025

Small Ships Register: Continuous modest growth of the number of vessels can be expected

Expenditure:

Salaries: Further support staff will be required

Marketing incl advertising: After 5 years of heavy promotion there could be a reduction in activity although overseas promotion by the Director and other staff will continue at a high level.

Overseas representation: The cost of selection and appointment of third party representative(s) including a retainer fee.

2026

Revenue:

In 2026 vessels that first registered in 2016, the last year of CAT 2, will be up for renewal.

Full Register: an additional 29 vessels will join the Register plus 12 large yachts.

Expenditure:

Salaries: An additional Surveyor will join.

Office rent, services and supplies: Allowing for a move to larger premises

Overseas representation: Retainer fees

Notes:

- 1) CAT 1 Initial Registration and Annual Fees - Calculated at the levels recommended for the number of vessels projected. No specific allowance has been made for vessels that are taken off the register, it being assumed that they will be replaced on a 1 for 1 basis.
- 2) Ship and yacht survey fees will be set at a level with a margin over cost of some 20% Yachts and Pleasure craft are responsible for a major portion of present income and will continue to make a significant contribution
- 3) There will be revenue derived from seamen's documentation and other ancillary fees and charges but this is unlikely to exceed £10,000 per year by 2023.

Appendix 6

Vessel Ownership Structure Fee Estimation

Incorporation costs:

Satisfaction of internal compliance procedures, preparation and filing of incorporation documents and liaising with Jersey Authorities where necessary and subsequent completion of inaugural procedures.

Fixed fee: £2,250

JFSC Incorporation fee: £200 Standard / £400 fast-track

Annual costs:

Financial Service Business – Annual Responsibility fees: £3,000

Annual Return fee: £150 per annum

International Service Entity Fee: £200 per annum

Administration – Vessel Purchase:

All work commensurate with the purchase of a vessel dependent on flag state choice and compliance with demands stipulated by the sellers' legal advisors. This will of course increase subject to additional documents, e.g. ship mortgage, deeds of creditor priority.

Estimated fee: £5,000 – £7,000

Legal Fees – Vessel Purchase

Preparation and review of the vessel purchase and financial documentation along with legal opinion and any other such work required to facilitate the purchase.

Estimated £35,000

Administration – (Based on vessel being managed by a third party)

Based on the standard practice of a vessel manager being appointed or the BIMCO stating that all costs are payable by the charter party, these will be comparatively low. Work will include payment of impromptu expenses, liaising with insurance brokers and preparation of monthly charter income invoices.

Estimated fee - £8,000 per annum

Accounting

Preparation for full annual financial statements for the Company with Directors' report and notes.

Estimated fee - £2,500

Based on the predicted vessel registrations it would be expected that the above structure would generate the revenues shown on the page that follows.

Registrations Forecast – Budget Commentary – Predicted Registrations

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Commercial Shipping	7	8	9	12	14	16	21	21	21	29
Yachts	5	5	5	5	5	5	12	12	12	12
Total	12	13	14	17	19	21	33	33	33	41

Year	First Registration	Prior-Registrations	Total
2017	12	0	12
2020	17	39	56
2023	33	96	129
2026	41	195	236

Financial Service Business ("FSB") Revenues

First year costs	
* Incorporation	£ 2,250.00
* Annual Fee	£ 3,000.00
Legal fees - purchase	£ 35,000.00
Admin - Purchase	£ 7,000.00
Admin - On-going	£ 12,500.00
Insurance	£ 5,000.00
Total:	£ 64,750.00

* Incorporation and annual fee charged together

Non-First Year/Annual costs	
Annual fee	£ 3,000.00
Admin	£ 12,500.00
Insurance	£ 5,000.00
Accounting	£ 2,500.00
Total:	£ 23,000.00

Jersey Statutory Revenues

First year costs	
Incorporation fee	£200.00
Total	£200.00

Non-First Year/Annual costs	
Annual Return	£150.00
ISE Fee	£200.00
Total:	£350.00

First Year Revenues

Year	New Vessels	Incorporation	Administration	Legal	Insurance	Statutory	Total
2017	12	£ 63,000.00	£ 234,000.00	£ 420,000.00	£ 60,000.00	£ 2,400.00	£ 779,400.00
2020	17	£ 89,250.00	£ 331,500.00	£ 595,000.00	£ 85,000.00	£ 3,400.00	£ 1,104,150.00
2023	33	£ 173,250.00	£ 643,500.00	£ 1,155,000.00	£ 165,000.00	£ 6,600.00	£ 2,143,350.00
2026	41	£ 215,250.00	£ 799,500.00	£ 1,435,000.00	£ 205,000.00	£ 8,200.00	£ 2,662,950.00

Non-first Year/Annual Revenues

Year	Vessels	Administration	Insurance	Accounting	Statutory	Total
2020	39	£ 604,500.00	£ 195,000.00	£ 97,500.00	£ 13,650.00	£ 910,650.00
2023	96	£1,488,000.00	£ 480,000.00	£ 240,000.00	£ 33,600.00	£ 2,241,600.00
2026	195	£3,022,500.00	£ 975,000.00	£ 487,500.00	£ 68,250.00	£ 4,553,250.00

Amalgamated Revenue Analysis

Year	Total Vessels	FSB Revenue	Statutory Revenue	Total
2017	12	£ 777,000.00	£ 2,400.00	£ 779,400.00
2020	56	£1,705,250.00	£ 17,050.00	£ 1,722,300.00
2023	129	£3,624,750.00	£ 40,200.00	£ 3,664,950.00
2026	236	£5,677,250.00	£ 76,450.00	£ 5,753,700.00

Appendix 7

Maritime Questionnaire Results

1) Are you currently providing services to any of the following types of business?

	Equiom (Jersey) Limited	Greenhill Consultancy Limited	Power Systems Limited	Whitmill Trust Company Limited	Moore Stephens
Vessel Ownership	Yes			Yes	Yes
Vessel Chartering				Yes	Yes
Vessel Management				Yes	
Crew Management	Yes				
Ship Brokerage					
Maritime Security				Yes	Yes
Port Agency		Yes			
Maritime Legal Opinions					
Preparation of transactional legal documents					
Marine Insurance					
Marine Aquaculture/Farming					Yes
Loan/Financing Arrangements					
Private Equity and Maritime Funds					Yes
Other (please provide details)	Ownership through offices in other Jurisdictions	Acting as Representative Person for non-residents	Specialist/patented marine propulsion and fuel saving equipment	-	Ship financing arrangement and consulting
Totals:	3	2	1	4	6

2) What types of vessels?

	Equiom (Jersey) Limited	Greenhill Consultancy Limited	Power Systems Limited	Whitmill Trust Company Limited	Moore Stephens
Small Yachts/Pleasure Craft (Under 24m load line length)	Yes	Yes	Yes	Yes	Yes
SuperYachts (over 24 load line length)	Yes	Yes	Yes	Yes	Yes
Fishing					Yes
Oil/Chemical/Product/Bulk/LNG/LR2 Tankers					Yes
Cargo/Livestock Carriers					
Container Vessels					
Ro-Ro Vessels					
Tug and other harbour craft		Yes			Yes
Wellboat					Yes
Heavy Lift					
Supply Vessel			Yes		

Offshore/Deep Sea Drilling					
Personnel Transport			Yes		Yes
Coasters and other small Cargo					
Cruise Liners	Yes	Yes			
Totals:	3	4	4	2	7

3) What flag are these currently registered under?

	Equiom (Jersey) Limited	Greenhill Consultancy Limited	Power Systems Limited	Whitmill Trust Company Limited	Moore Stephens
United Kingdom	Yes		Yes		
Isle of Man	Yes				
Gibraltar				Yes	
Jersey	Yes	Yes		Yes	Yes
Cayman	Yes			Yes	
British Virgin Islands		Yes			
Bermuda	Yes				
Panama					Yes
Liberia					
Greece					
Luxembourg					
Marshall Islands	Yes				Yes
Antigua & Barbuda					
Totals:	6	2	1	3	3

4) What facilities do they utilise in Jersey?

	Equiom (Jersey) Limited	Greenhill Consultancy Limited	Power Systems Limited	Whitmill Trust Company Limited	Moore Stephens
Trust and Company Administration	Yes	Yes		Yes	Yes
Financing			Yes		
Legal					Yes
Banking	Yes		Yes	Yes	Yes
Insurance					
Vessel Registration		Yes		Yes	Yes
Investment Funds/Private Equity					Yes
Totals:	2	2	2	3	5

5) General Questions

	Equiom (Jersey) Limited	Greenhill Consultancy Limited	Power Systems Limited	Whitmill Trust Company Limited	Moore Stephens
Approximately how many client structures do you manage that operate within the maritime industry?	26-50	51-75	1-25	1-25	51-75
Does the maritime sector form a core part of your organisation's revenues?	Company – Yes Group - No	Yes	Yes	No	No
Are more than 25% of your maritime clients locally based?	No	Yes	No	No	No
Have you lost or missed out on business due to Jersey's current tonnage restrictions?	No	No	Possibly	Unsure – Clients are aware of the restrictions and so do not request this	No
Would existing clients give consideration to registering vessels in Jersey within the parameters of a category 1 register?	Potentially if suitable to existing tax planning	Yes	Potentially	No	Yes
What jurisdiction are your clients utilising for the company formation and others services (banking, legal, financing)?	Jersey	Jersey, BVI, Malta, Cyprus etc .	Various	Jersey	Jersey, UK, Switzerland, Singapore, Marshall Islands, BVI
Do you generate more 'new business' within the maritime section or is this usually repeat business?	New business + internal referrals	Both	New	Less and less	Both
What issues have you experienced as a result of using specific flags?	Tax, knowledge, lack of advice, complex legislation	I am only concerned as Representative Person with Jersey registered vessels/craft	None	Nothing major	Vessel classification for maritime security vessels
What attracted your clients to Jersey?	Crewing – No national insurance agreement with UK	Straightforward access to Registry (subject to eligibility) and competent Registry staff.	N/A	stable jurisdiction, outside the EU, personal contacts	International standing, existing business and referrals from other clients/offices

Appendix 8

Jersey Ship Registry Revenue Analysis 2017 – 2026

Cat 1 Vessels											Notes
Size Category	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
a) Upto 500 gtons	3	3	3	4	5	6	6	5	4	6	
b) 501-10,000 gt	3	3	3	4	5	5	5	8	7	6	
c) 10,001 - 25,000 gt	1	1	2	2	2	3	4	5	6	5	
d) 25,001 - 50,000 gt		1	1	1	2	2	3	2	2	6	
e) Over 50,000gt				1	1	1	4	1	2	6	
Initial Registration	£6,500	£8,000	£9,250	£13,000	£16,250	£18,250	£27,000	£23,000	£24,500	£30,250	
Annual Registration	£30,000	£33,250	£34,750	£39,000	£42,250	£44,750	£61,250	£48,500	£51,750	£78,000	1
Acc Annual Fees		£10,000	£21,250	£34,000	£40,000	£57,750	£65,000	£80,000	£100,000	£110,000	2
Total	£36,500	£51,250	£65,250	£86,000	£98,500	£120,750	£153,250	£151,500	£176,250	£218,250	A
Cat 1 Yachts											
Commercial	5	5	5	6	6	6	8	8	10	12	
Initial Registration	£2,500	£2,500	£2,500	£3,000	£3,000	£3,000	£4,000	£4,000	£5,000	£6,000	
Annual Registration	£1,875	£1,875	£1,875	£2,250	£2,250	£2,250	£3,000	£3,000	£3,750	£4,500	
Total	£4,375	£4,375	£4,375	£5,250	£5,250	£5,250	£7,000	£7,000	£8,750	£10,500	B
Small Ships											
Basis 100 per year											
Initial Registration	£28,500	£28,500	£28,500	£28,500	£28,500	£28,500	£28,500	£28,500	£28,500	£28,500	3
Annual Registration	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	
Total	£33,500	£33,500	£33,500	£33,500	£33,500	£33,500	£33,500	£33,500	£33,500	£33,500	C
Surveys, others	£30,000	£32,250	£34,500	£36,750	£39,000	£41,250	£43,500	£45,750	£48,000	£50,250	D
Representative fees	£15,000	£15,000	£15,000	£20,000	£20,000	£20,000	£25,000	£25,000	£25,000	£30,000	E
Total	£45,000	£47,250	£49,500	£56,750	£59,000	£61,250	£68,500	£70,750	£73,000	£80,250	
Grand Total											
A+B+C+D+E	£119,375	£136,375	£152,625	£181,500	£196,250	£220,750	£262,250	£262,750	£291,500	£342,500	
Notes											
1 Cat 1 Annual Registration includes fees in respect of Cat 2 vessels that have completed a 10 year fixed registration term and renew as Cat 1. Assumed to be some 200 vessels per year but reducing as older vessels de-register											
2 Acc Annual Fees: Annual fees paid in each year after the year of initial registration											
3 Initial Registration: Basis £285.00 per vessel											

Appendix 9

Jersey Ship Registry - Budgets

Annual Inflation: 1.90%

Annual Category 1 Growth: See appendix 6 for estimated registrations

Annual Small Ships Register Growth: 2.00%

Income	Notes	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Small Ships Register	1	£33,500.00	£34,170.00	£34,853.40	£35,550.47	£36,261.48	£36,986.71	£37,726.44	£38,480.97	£39,250.59	£40,035.60
Annual Registration	1	£40,875.00	£55,625.00	£69,625.00	£91,250.00	£103,750.00	£126,000.00	£160,250.00	£158,500.00	£185,000.00	£228,750.00
Survey & Certification	1	£30,000.00	£32,250.00	£34,500.00	£36,750.00	£39,000.00	£41,250.00	£43,500.00	£45,750.00	£48,000.00	£50,250.00
Representative fees	2	£15,000.00	£15,000.00	£15,000.00	£20,000.00	£20,000.00	£20,000.00	£25,000.00	£25,000.00	£25,000.00	£30,000.00
		£119,375.00	£137,045.00	£153,978.40	£183,550.47	£199,011.48	£224,236.71	£266,476.44	£267,730.97	£297,250.59	£349,035.60
Expenditure	1										
Salaries		£225,000.00	£229,275.00	£233,631.23	£300,000.00	£305,700.00	£311,508.30	£375,000.00	£382,125.00	£389,385.38	£450,000.00
Pensions		£30,375.00	£30,952.13	£31,540.22	£40,500.00	£41,269.50	£42,053.62	£50,625.00	£51,586.88	£52,567.03	£60,750.00
Social Security		£14,175.00	£14,444.33	£14,718.77	£18,900.00	£19,259.10	£19,625.02	£23,625.00	£24,073.88	£24,531.28	£28,350.00
Office		£30,000.00	£30,570.00	£31,150.83	£40,000.00	£40,760.00	£41,534.44	£45,000.00	£45,855.00	£46,726.25	£60,000.00
IT and support		£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£40,000.00
Marketing of Cat 1		£80,000.00	£80,000.00	£80,000.00	£80,000.00	£80,000.00	£80,000.00	£60,000.00	£60,000.00	£60,000.00	£60,000.00
General associated with marketing		£15,000.00	£15,285.00	£15,575.42	£20,500.00	£20,889.50	£21,286.40	£29,500.00	£30,060.50	£30,631.65	£39,500.00
Overseas representation		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£75,000.00	£75,000.00	£75,000.00	£50,000.00
		£424,550.00	£430,526.45	£436,616.45	£529,900.00	£537,878.10	£546,007.78	£688,750.00	£698,701.25	£708,841.57	£788,600.00
Net loss		-£305,175.00	-£293,481.45	-£282,638.05	-£346,349.53	-£338,866.62	-£321,771.08	-£422,273.56	-£430,970.28	-£411,590.98	-£439,564.40
Indirect income	3										
Jersey Company Statutory Fees		£2,400.00	£6,800.00	£11,550.00	£17,050.00	£23,400.00	£30,450.00	£40,200.00	£49,350.00	£63,300.00	£76,450.00
FSB Tax - New Registrations	4	£40,792.50	£44,191.88	£47,591.25	£57,789.38	£64,588.13	£71,386.88	£112,179.38	£112,179.38	£112,179.38	£139,374.38
FSB Tax - Existing Registrations	4	£0.00	£14,490.00	£30,187.50	£47,092.50	£67,620.00	£90,562.50	£115,920.00	£155,767.50	£195,615.00	£235,462.50
		£43,192.50	£65,481.88	£89,328.75	£121,931.88	£155,608.13	£192,399.38	£268,299.38	£317,296.88	£371,094.38	£451,286.88
Overall net loss/gain		-£261,982.50	-£227,999.58	-£193,309.30	-£224,417.66	-£183,258.50	-£129,371.70	-£153,974.18	-£113,673.41	-£40,496.61	£11,722.48
Notes											
	1	See appendix 8									
	2	£1,000 fee per Financial Service Business applying for 'Authorised Representative' status									
	3	See appendix 6									
	4	15% tax payable on profits (assumed 35% profit margin) generated by revenues shown in appendix 6									

Appendix 10

Jersey Ship Registry - Budgets – Conservative scenario

Annual Inflation: 1.90%

Annual Category 1 Growth: See appendix 6 for estimated registrations

Annual Small Ships Register Growth: 2.00%

Income	Notes	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Small Ships Register	1	£25,125.00	£25,627.50	£26,140.05	£26,662.85	£27,196.11	£27,740.03	£28,294.83	£28,860.73	£29,437.94	£30,026.70
Annual Registration	1	£30,656.25	£41,718.75	£52,218.75	£68,437.50	£77,812.50	£94,500.00	£120,187.50	£118,875.00	£138,750.00	£171,562.50
Survey & Certification	1	£22,500.00	£24,187.50	£25,875.00	£27,562.50	£29,250.00	£30,937.50	£32,625.00	£34,312.50	£36,000.00	£37,687.50
Representative fees	2	£11,250.00	£11,250.00	£11,250.00	£15,000.00	£15,000.00	£15,000.00	£18,750.00	£18,750.00	£18,750.00	£22,500.00
		£89,531.25	£102,783.75	£115,483.80	£137,662.85	£149,258.61	£168,177.53	£199,857.33	£200,798.23	£222,937.94	£261,776.70
Expenditure	3										
Salaries		£200,000.00	£225,000.00	£229,275.00	£233,631.23	£300,000.00	£305,700.00	£311,508.30	£375,000.00	£382,125.00	£389,385.38
Pensions		£27,000.00	£30,375.00	£30,952.13	£31,540.22	£40,500.00	£41,269.50	£42,053.62	£50,625.00	£51,586.88	£52,567.03
Social Security		£13,000.00	£14,175.00	£14,444.33	£14,718.77	£18,900.00	£19,259.10	£19,625.02	£23,625.00	£24,073.88	£24,531.03
Office		£0.00	£0.00	£0.00	£0.00	£30,000.00	£30,570.00	£31,150.83	£35,000.00	£35,665.00	£36,342.64
IT and support		£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00	£30,000.00
Marketing of Cat 1		£20,000.00	£25,000.00	£25,000.00	£25,000.00	£35,000.00	£35,000.00	£35,000.00	£30,000.00	£30,000.00	£30,000.00
General associated with marketing		£0.00	£5,000.00	£5,095.00	£5,191.81	£8,000.00	£8,152.00	£8,306.89	£12,000.00	£12,228.00	£12,460.33
Overseas representation		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£20,000.00	£25,000.00	£25,000.00
		£290,000.00	£329,550.00	£334,766.45	£340,082.03	£462,400.00	£469,950.60	£477,644.66	£576,250.00	£590,678.75	£600,286.41
Net loss		-£200,468.75	-£226,766.25	-£219,282.65	-£202,419.18	-£313,141.39	-£301,773.07	-£277,787.33	-£375,451.77	-£367,740.81	-£338,509.71
Indirect income	4										
Jersey Company Statutory Fees		£1,800.00	£5,750.00	£9,362.50	£13,637.50	£18,500.00	£23,887.50	£31,800.00	£38,062.50	£49,125.00	£59,387.50
FSB Tax - New Registrations	5	£30,594.38	£33,143.91	£35,693.44	£43,342.03	£48,441.09	£53,540.16	£84,134.53	£84,134.53	£84,134.53	£104,530.78
FSB Tax - Existing Registrations	5	£0.00	£10,867.50	£22,640.63	£35,319.38	£50,715.00	£67,921.88	£86,940.00	£116,825.63	£146,711.25	£176,596.88
		£32,394.38	£49,761.41	£67,696.56	£92,298.91	£117,656.09	£145,349.53	£202,874.53	£239,022.66	£279,970.78	£340,515.16
Overall net loss/gain		-£168,074.38	-£177,004.84	-£151,586.09	-£110,120.27	-£195,485.30	-£156,423.54	-£74,912.80	-£136,429.12	-£87,770.03	£2,005.45
Notes											
	1	75% of revenues shown in appendix 9									
	2	£1,000 fee per Financial Service Business applying for 'Authorised Representative' status									
	3	Conservative budget based on appendix 8									
	4	75% of revenues shown in appendix 6									
	5	15% tax payable on profits (assumed 35% profit margin) generated by 75% of the revenues shown in appendix 6									

